

IMPORTANT NOTICE

In accessing the attached base prospectus (the "Base Prospectus") you agree to be bound by the following terms and conditions.

The information contained in the Base Prospectus may be addressed to and/or targeted at persons who are residents of particular countries only as specified in the Base Prospectus and is not intended for use, and should not be relied upon, by any person outside those countries. **Prior to relying on the information contained in the Base Prospectus, you must ascertain from the Base Prospectus whether or not you are an intended addressee of, and eligible to view, the information contained therein.**

The Base Prospectus does not constitute, and may not be used in connection with, an offer to sell or the solicitation of an offer to buy securities in the United States or any other jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, exemption from registration or qualification under the securities law of any such jurisdiction.

The securities described in the Base Prospectus have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), or with any securities regulatory authority of any state or other jurisdiction of the United States and may include covered bonds in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, such securities may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")). The securities described in the Base Prospectus will only be offered in offshore transactions to non-U.S. persons in reliance upon Regulation S.

For a more complete description of restrictions on offers and sales of the securities described in the Base Prospectus, see pages iv to vi and the section "*Subscription and Sale*".



NORDEA MORTGAGE BANK PLC

(Incorporated with limited liability in Finland)

€25,000,000,000 Covered Bond Programme

Nordea Mortgage Bank Plc (Sw. *Nordea Hypoteksbank Abp*, Fi. *Nordea Kiinnitysluottopankki Oyj*) ("**Nordea Mortgage Bank**" or the "**Issuer**") has established a €25,000,000,000 Covered Bond Programme (the "**Programme**"). Any Covered Bonds (as defined below) issued under the Programme on or after the date of this Base Prospectus are issued subject to the provisions described herein.

The Issuer may from time to time issue covered bonds (the "**Covered Bonds**") under the Finnish Covered Bond Act (*Laki kiinnitysluottopankkitoiminnasta* 688/2010), as amended (the "**CBA**") denominated in any currency as may be agreed with the relevant Dealer(s) (as defined below). Covered Bonds issued pursuant to the Programme may include Covered Bonds issued in bearer form ("**Bearer Covered Bonds**") or in registered form ("**Registered Covered Bonds**"). Covered Bonds issued pursuant to the Programme may include dematerialised Covered Bonds designated as "**Finnish Covered Bonds**" in the applicable Final Terms or Pricing Supplement (as defined below). The maximum amount of all Covered Bonds from time to time outstanding will not exceed €25,000,000,000 (or its equivalent in other currencies at the time of agreement to issue, subject as further set out herein). For the purposes of calculating amounts outstanding under the Programme, all calculations will be made in euro.

The Covered Bonds will be issued on a continuing basis to one or more of the principal dealers specified herein and any additional dealer appointed under the Programme from time to time, which appointment may be for a specific issue or on an ongoing basis (each a "**Dealer**" and together the "**Dealers**").

This Base Prospectus has been approved by the Central Bank of Ireland (the "**Central Bank**") as competent authority under the Prospectus Directive (as defined herein). The Central Bank only approves this Base Prospectus as meeting the requirements imposed under Irish and European law pursuant to the Prospectus Directive. Such approval relates only to Covered Bonds which are to be admitted to trading on a regulated market for the purposes of Directive 2004/39/EC on Markets in Financial Instruments ("**MiFID**") and/or which are to be offered to the public in any Member State of the European Economic Area (the "**EEA**").

The requirement to publish a prospectus under the Prospectus Directive only applies to Covered Bonds which are to be admitted to trading on a regulated market for the purposes of MiFID in the EEA and/or offered to the public in the EEA other than in circumstances where an exemption is available under Article 3.2 of the Prospectus Directive (as implemented in the relevant Member State(s)). References in this Base Prospectus to "**Exempt Covered Bonds**" are to Covered Bonds for which no prospectus is required to be published under the Prospectus Directive. The Central Bank has neither approved nor reviewed information contained in this Base Prospectus in connection with Exempt Covered Bonds.

Application has been made to the Irish Stock Exchange for Covered Bonds issued under the Programme (other than Exempt Covered Bonds (as defined herein)) to be admitted to the official list (the "**Official List**") and trading on its regulated market (the "**Main Securities Market**").

An application will also be made to the United Kingdom Financial Conduct Authority (the "**FCA**") and London Stock Exchange plc (the "**London Stock Exchange**") for Covered Bonds issued under the Programme (other than Exempt Covered Bonds) to be admitted to listing on the official list of the FCA and to trading on the regulated market of the London Stock Exchange during the period of 12 months after the date hereof. The Central Bank has been requested by the Issuer to provide the FCA with a certificate of approval attesting that the Base Prospectus has been drawn up in accordance with the Prospectus Directive so that the Covered Bonds issued under the Programme may be admitted to the official list of the FCA and to trading on the regulated market of the London Stock Exchange. The Main

Securities Market and the regulated market of the London Stock Exchange are regulated markets for the purposes of MiFID.

The Programme also permits Covered Bonds to be issued on the basis that they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system or to be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer.

Notice of the aggregate principal amount of, interest (if any) payable in respect of and the issue price of each Tranche (as defined below) of Covered Bonds will be set forth in a final terms (the "**Final Terms**") or, in the case of Exempt Covered Bonds only, a pricing supplement (the "**Pricing Supplement**") and in addition, in the case of Exempt Covered Bonds only, any other terms and conditions not contained herein which are applicable to each Tranche (as defined below) of Covered Bonds will be set forth in the relevant Pricing Supplement.

There are certain risks related to any issue of Covered Bonds under the Programme which investors should ensure they fully understand (see "*Risk Factors*" below). This Base Prospectus does not describe all of the risks of an investment in the Covered Bonds.

Arranger

DEUTSCHE BANK

Dealers

Barclays	BNP PARIBAS	BofA Merrill Lynch
Citigroup	Credit Suisse	Commerzbank
Deutsche Bank	DZ BANK AG	Goldman Sachs International
HSBC	Landesbank Baden-Württemberg	Natixis
Nordea	NORD/LB	Société Générale Corporate & Investment Banking
The Royal Bank of Scotland	UBS Investment Bank	UniCredit Bank

The date of this Base Prospectus is 1 November 2016

This Base Prospectus should be read and construed together with any amendments or supplements hereto and, in relation to any Tranche of Covered Bonds, should be read and construed together with the relevant Final Terms or Pricing Supplement.

Copies of each Final Terms or each Pricing Supplement will be available from the specified offices of each of the Paying Agents and (in the case of Covered Bonds which may be in registered form) from the specified office of the Registrar and each of the Transfer Agents (see "*Terms and Conditions of the Covered Bonds*" herein).

The Issuer may agree with any Dealer(s) that Covered Bonds may be issued in a form not contemplated by the "*Terms and Conditions of the Covered Bonds*" herein, in which case a drawdown prospectus, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Covered Bonds. In the case of Exempt Covered Bonds, the relevant provisions relating to such Covered Bonds will be included in the relevant Pricing Supplement.

The Issuer has confirmed to the Dealers named under "*Subscription and Sale*" below that this Base Prospectus (including for this purpose, each relevant Final Terms or Pricing Supplement) contains all information which is (in the context of the Programme and the issue, offering and sale of the Covered Bonds) material; that such information is true and accurate in all material respects and is not misleading in any material respect; that any opinions, predictions or intentions expressed herein are honestly held or made and are not misleading in any material respect; that this Base Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in the context of the Programme and the issue, offering and sale of the Covered Bonds) not misleading in any material respect; and that all proper enquiries have been made to verify the foregoing.

The Issuer (the "**Responsible Person**") accepts responsibility for the information contained in this Base Prospectus and the Final Terms or Pricing Supplement for each Tranche of Covered Bonds and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other document entered into in relation to the Programme or any information supplied by the Issuer or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer or any Dealer.

Neither the Dealers nor the Arranger have separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by the Dealers or the Arranger as to the accuracy or completeness of the financial information contained in this Base Prospectus, or any other financial statements or any further information supplied in connection with the Covered Bonds. The Dealers and the Arranger accept no liability in relation to the financial information contained in this Base Prospectus or any other financial statements or their distribution or with regard to any other information supplied in connection with the Covered Bonds. The statements made in this paragraph are without prejudice to the responsibility of Nordea Mortgage Bank in its capacity as Issuer under the Programme.

Neither the delivery of this Base Prospectus nor any Final Terms nor any Pricing Supplement nor the offering, sale or delivery of any Covered Bond shall, in any circumstances, create any implication that the information contained in this Base Prospectus is true subsequent to the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer since the date thereof or, if later, the date upon which this Base Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Base Prospectus and any Final Terms or Pricing Supplement and the offering, sale and delivery of the Covered Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus comes are required by the Issuer and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and

deliveries of Covered Bonds and on distribution of this Base Prospectus or any Final Terms or Pricing Supplement and other offering material relating to the Covered Bonds see "*Subscription and Sale*".

THE COVERED BONDS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION IN THE UNITED STATES NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR THE ADEQUACY OF THIS BASE PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

THE COVERED BONDS HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY INCLUDE COVERED BONDS IN BEARER FORM THAT ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS. SUBJECT TO CERTAIN EXCEPTIONS, THE COVERED BONDS MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("REGULATION S")). SEE "*SUBSCRIPTION AND SALE*".

RATINGS

The Covered Bonds to be issued under the Programme are expected to be assigned the following rating:

Rating Agency	Rating
Moody's Investors Service Limited	Aaa

Moody's Investors Service Limited ("**Moody's**") is established in the EEA and is registered under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**"), and is, as of the date of this Base Prospectus, included in the list of credit rating agencies published by the European Securities and Markets Authority ("**ESMA**") on its website (<http://www.esma.europa.eu/page/list-registered-and-certified-CRAs>) in accordance with the CRA Regulation.

Tranches of Covered Bonds to be issued under the Programme may be rated or unrated. Where a Tranche of Covered Bonds is rated, the applicable rating(s) will be specified in the relevant Final Terms or Pricing Supplement. Such rating will not necessarily be the same as the rating(s) assigned to the Issuer or to Covered Bonds already issued. Whether or not each credit rating applied for in relation to a relevant Tranche of Covered Bonds will be issued by a credit rating agency established in the EEA and registered under the CRA Regulation will be disclosed in the relevant Final Terms or Pricing Supplement.

ESMA is obliged to maintain on its website, <http://www.esma.europa.eu/page/list-registered-and-certified-CRAs>, a list of credit rating agencies registered and certified in accordance with the CRA Regulation. This list must be updated within five working days of ESMA's adoption of any decision to withdraw the registration of a credit rating agency under the CRA Regulation. Therefore, such list is not conclusive evidence of the status of the relevant rating agency as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.

In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EEA and registered under the CRA Regulation (and such registration has not been withdrawn or suspended) unless (1) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation (and such endorsement action has not been withdrawn or suspended) or (2) the rating is provided by a credit rating agency not established in the EEA, but which is certified under the CRA Regulation (and such certification has not been withdrawn or suspended).

A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Neither this Base Prospectus nor any Final Terms nor any Pricing Supplement constitutes an offer or an invitation to subscribe for or purchase any Covered Bonds and should not be considered as a recommendation by the Issuer, the Dealers or any of them that any recipient of this Base Prospectus or any Final Terms or Pricing Supplement should subscribe for or purchase any Covered Bonds. Each recipient of this Base Prospectus or any Final Terms or Pricing Supplement shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer.

In connection with the issue of any Tranche of Covered Bonds under the Programme, the Dealer or Dealers (if any) acting as the Stabilising Manager(s) (or any persons acting on behalf of any Stabilising Manager(s)) may over-allot Covered Bonds or effect transactions with a view to supporting the market price of the Covered Bonds at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Covered Bonds is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Covered Bonds and 60 days after the date of the allotment of the relevant Tranche of Covered Bonds. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or person(s) acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

The language of the Base Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

In this Base Prospectus, references to the "EU" are to the European Union and references to "**Relevant Member State**" are to a Member State of the EEA which has implemented the Prospectus Directive. For the purposes of this Base Prospectus, the expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and "**2010 PD Amending Directive**" means Directive 2010/73/EU. References to "U.S.\$", "U.S. dollars" or "dollars" are to United States dollars, references to "**Euro**", "**euro**", "**EUR**" or "**€**" are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the Euro as amended, references to "**sterling**" are to Pounds Sterling, references to "**Yen**" are to Japanese Yen, references to "**SEK**" are to Swedish Krona, references to "**NOK**" are to Norwegian Kroner, references to "**DKK**" are to Danish Krone.

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OVERVIEW OF THE BASE PROSPECTUS

This overview must be read as an introduction to this Base Prospectus and any decision to invest in the Covered Bonds should be based on a consideration of the Base Prospectus as a whole and, in relation to the terms and conditions of any particular Tranche of Covered Bonds, the applicable Final Terms or Pricing Supplement. Each decision to invest in any Covered Bonds should be based on an assessment of the entire Base Prospectus.

Words and expressions defined in the "Terms and Conditions of the Covered Bonds" below or elsewhere in this Base Prospectus have the same meanings in this overview.

Issuer:	Nordea Mortgage Bank Plc (Sw. <i>Nordea Hypoteksbank Abp</i> , Fi. <i>Nordea Kiinnitysluottopankki Oyj</i>) (" Nordea Mortgage Bank " or the " Issuer ") The Issuer is a wholly-owned subsidiary of Nordea Bank AB (publ) (" Nordea Bank AB " and, together with Nordea Bank AB's subsidiaries, the " Nordea Group " or the " Group ") which is a financial services group operating in the Nordic and Baltic Sea region. The Issuer is a public limited company incorporated and domiciled in Finland.
Arranger:	Deutsche Bank AG, London Branch
Dealers:	Barclays Bank PLC, BNP Paribas, Citigroup Global Markets Limited, Commerzbank Aktiengesellschaft, Credit Suisse Securities (Europe) Limited, Deutsche Bank AG, London Branch, DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, Goldman Sachs International, HSBC France, Landesbank Baden-Württemberg, Merrill Lynch International, Natixis, Norddeutsche Landesbank - Girozentrale -, Nordea Bank Danmark A/S, Société Générale, The Royal Bank of Scotland plc, UBS Limited, UniCredit Bank AG and any other Dealer appointed by the Issuer either generally in respect of the Programme or in relation to a particular Tranche of Covered Bonds.
Fiscal Agent:	Citibank N.A., London Branch
Registrar:	Citigroup Global Markets Deutschland AG
Finnish Issuing Agent for Finnish Covered Bonds:	Nordea Bank Finland Plc (" Nordea Bank Finland ")
Irish Listing Agent:	Arthur Cox Listing Services Limited
Amount:	Up to €25,000,000,000 (or its equivalent in other currencies at the time of agreement to issue) outstanding at any one time.
Description:	Covered Bond Programme.
Distribution:	Covered Bonds may be distributed by way of private or public placement and in each case on a syndicated or a non syndicated basis.
Currencies:	U.S. dollars, euro, sterling, Swedish Krona, Norwegian Kroner, Danish Krone and Yen and/or such other currency or currencies as may be agreed with the relevant Dealer(s), subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.
Status:	Covered Bonds may be issued on an unsubordinated basis and in accordance with the CBA. The Covered Bonds will be covered in accordance with the CBA and will therefore benefit from statutory security over a certain portion of the assets of the Issuer conferred by the CBA (the " Cover Pool "). To the extent that claims of Holders in relation to Covered Bonds are not met out of the Cover Pool, the residual claims of such Holders will rank <i>pari passu</i> with the unsecured and unsubordinated obligations of the Issuer.

Maturities:	<p>Any maturity subject to a minimum maturity of 30 days subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements.</p> <p>Where Covered Bonds have a maturity of less than one year and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Covered Bonds is carried on from an establishment maintained by the Issuer in the United Kingdom, such Covered Bonds must: (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of the Financial Services and Markets Act 2000 by the Issuer.</p>
Issue Price:	The Covered Bonds will be issued on a fully-paid basis and may be issued at any price, as specified in the applicable Final Terms or Pricing Supplement.
Issuance in Series:	Covered Bonds are issued in series (each a " Series ") and Covered Bonds of each Series will all be subject to identical terms (except issue price, issue date and interest commencement date, which may or may not be identical). Further Covered Bonds may be issued as part of an existing Series (each a " Tranche "), Covered Bonds in respect of which will be identical in all respects.
Form:	<p>Covered Bonds may be issued in bearer form or in registered form as specified in the relevant Final Terms or Pricing Supplement. Covered Bonds in bearer form will not be exchangeable for Covered Bonds in registered form and Covered Bonds in registered form will not be exchangeable for Covered Bonds in bearer form.</p> <p>"Covered Bonds" may also be specified in the applicable Final Terms or Pricing Supplement as "Finnish Covered Bonds". Finnish Covered Bonds will be issued in uncertificated and dematerialised book-entry form, with the legal title thereto being evidenced by book entries in the register for such Finnish Covered Bonds kept by Euroclear Finland on behalf of the Issuer. Title to Finnish Covered Bonds will not be evidenced by any physical note or document of title. For the avoidance of doubt, the TEFRA C and TEFRA D Rules will not be applicable to Finnish Covered Bonds. Definitive Covered Bonds will not be issued in respect of any Finnish Covered Bonds.</p>
Interest:	Covered Bonds may be interest bearing or non-interest bearing. Covered Bonds may be issued as fixed rate, floating rate or zero coupon as provided in the relevant Final Terms or Pricing Supplement.
Redemption:	<p>Covered Bonds may be redeemable at par or, in the case of Exempt Covered Bonds only, at such other redemption amount as may be specified in the relevant Pricing Supplement.</p> <p>Early redemption of Covered Bonds will be permitted for taxation reasons as mentioned in Condition 5(b) (<i>Early Redemption for Taxation Reasons</i>) of the Covered Bonds but will otherwise be permitted only to the extent specified in the relevant Final Terms or Pricing Supplement. Covered Bonds denominated in Sterling may not be redeemed prior to one year and one day from the date of issue.</p>
Extended Maturity Date:	The applicable Final Terms or Pricing Supplement may provide that an Extended Maturity Date applies to the relevant Series of Covered Bonds.

If an Extended Maturity Date is specified in the applicable Final Terms or Pricing Supplement as applying to a Series of Covered Bonds and the Issuer fails to redeem the relevant Covered Bonds in full on the Maturity Date or within three Business Days thereafter, the maturity of the outstanding Covered Bonds and the date on which such Covered Bonds will be due and repayable for the purposes of the Terms and Conditions will be automatically extended up to but no later than the Extended Maturity Date, subject as otherwise specified in the applicable Final Terms or Pricing Supplement. In that event, the Issuer may redeem all or any part of the principal amount outstanding of the Covered Bonds on any Interest Payment Date falling in any month after the Maturity Date up to and including the Extended Maturity Date or as otherwise specified in the applicable Final Terms or Pricing Supplement.

If the Issuer fails to redeem the relevant Covered Bonds in full on the Maturity Date or within three Business Days thereafter, the Covered Bonds will bear interest on the principal amount outstanding of the Covered Bonds from (and including) the Maturity Date to (but excluding) the earlier of the Interest Payment Date after the Maturity Date on which the Covered Bonds are redeemed and the Extended Maturity Date and will be payable in respect of the interest period ending immediately prior to the relevant Interest Payment Date in arrear or as otherwise provided for in the applicable Final Terms or Pricing Supplement on each Interest Payment Date after the Maturity Date at the rate specified in the applicable Final Terms or Pricing Supplement.

In the case of a Series of Covered Bonds with an Extended Maturity Date, those Covered Bonds may be issued as fixed rate, floating rate, or zero coupon in respect of the period from (and including) the Issue Date to (but excluding) the Maturity Date and issued as fixed rate or floating rate in respect of the period from (and including) the Maturity Date to (but excluding) the Extended Maturity Date, as set out in the applicable Final Terms or Pricing Supplement.

In the case of Covered Bonds which are non-interest bearing up to the Maturity Date and for which an Extended Maturity Date applies, the initial outstanding principal amount on the Maturity Date for the above purposes will be the total amount otherwise payable by the Issuer but unpaid on the relevant Covered Bonds on the Maturity Date.

Denominations:

Covered Bonds will be issued in such denominations as may be specified in the relevant Final Terms or Pricing Supplement, subject to (i) a minimum denomination of €100,000 (or its equivalent in any other currency) for each Covered Bond admitted to trading on a regulated market within the EEA; and (ii) compliance with all applicable legal and/or regulatory and/or central bank requirements.

Taxation:

All payments in respect of the Covered Bonds will be made without withholding or deduction for or on account of Finnish withholding taxes unless required by law. If such withholdings are required by Finnish law, the Issuer will in certain circumstances pay certain additional amounts as described in, and subject to exceptions set out in Condition 6 (*Taxation*) of the Covered Bonds.

Ratings:

The Covered Bonds to be issued under the Programme are expected to be assigned a rating of "Aaa" by Moody's.

Tranches of Covered Bonds issued under the Programme will be rated or unrated. Where a Tranche of Covered Bonds is rated, such rating will not necessarily be the same as the rating(s) described above or the rating(s) assigned to Covered Bonds already issued. Where a Tranche of Covered Bonds is rated, the applicable rating(s) will be specified in the relevant Final Terms or Pricing Supplement, along with the details of the credit rating agency

issuing such rating.

Listing:	<p>Each Series may be admitted to listing on (i) the Official List of the Irish Stock Exchange and to trading on its Main Securities Market or (ii) the Official List of the FCA and to trading on the London Stock Exchange's Regulated Market. Each Series of Exempt Covered Bonds may be admitted to listing on a market that is not a regulated market for the purposes of MiFID as agreed between the Issuer and the relevant Dealer and as specified in the relevant Pricing Supplement.</p> <p>Unlisted Covered Bonds may also be issued pursuant to a Pricing Supplement.</p>
Terms and Conditions:	<p>The Conditions applicable to each Tranche of Covered Bonds will be as agreed between the Issuer and the relevant Dealer at or prior to the time of issuance of such Tranche, and will be specified in the relevant Final Terms or Pricing Supplement. The Conditions applicable to each Tranche of Covered Bonds will be those set out in this Base Prospectus, as completed by the relevant Final Terms or as set out in the relevant Pricing Supplement.</p>
Events of Default and Cross Default:	<p>The Covered Bonds will not provide for events of default or a cross-default provision entitling Holders to demand immediate redemption.</p>
Negative Pledge:	<p>None.</p>
Enforcement of Covered Bonds in Global Form:	<p>In the case of Covered Bonds in global form or in uncertificated and dematerialised book-entry form, investors' rights will be supported by a Deed of Covenant dated 1 November 2016 (as amended and/or restated and/or replaced from time to time) and by their arrangements with Euroclear and/or Clearstream, Luxembourg (together, the "ICSDs") or any other applicable clearing system.</p>
Governing Law:	<p>English law, except that (i) Condition 3 (<i>Status</i>) of the Covered Bonds will be governed by Finnish law; and (ii) the registration of Finnish Covered Bonds in Euroclear Finland which will be governed by Finnish law.</p>
Selling Restrictions:	<p>This Base Prospectus contains a summary of certain selling restrictions in the United States, the EEA, the United Kingdom, Japan, Hong Kong, Singapore, Finland, Denmark, Sweden, Norway, Australia, New Zealand and Canada.</p> <p>Each Dealer and each purchaser of Covered Bonds must observe all applicable laws and regulations in any jurisdiction in which it may offer, sell or deliver Covered Bonds or distribute this Base Prospectus or any offering material in relation to the Covered Bonds.</p>
Substitution:	<p>A substitution of the Issuer may take place in respect of the Covered Bonds: pursuant to the CBA, a bankruptcy administrator may, with the permission of the FIN-FSA, transfer the liability for a covered bond and the corresponding collateral to another mortgage credit bank, deposit bank or credit entity holding a licence to issue covered bonds or to a foreign mortgage credit bank subject to supervision corresponding to that of the CBA, unless the terms of the covered bond provide otherwise. See "<i>Summary of Finnish Legislation Regarding Covered Bonds and Relevant to Mortgage Lending</i>" on pages 73 to 78.</p>
Clearing Systems:	<p>Euroclear, Clearstream, Luxembourg and Euroclear Finland and/or such other clearing system(s) as may be agreed from time to time.</p>
Risk Factors:	<p>There are risks related to any issue of Covered Bonds under the Programme and the Issuer's ability to meet its obligations under the Covered Bonds which investors should ensure they fully understand, including:</p>

- risks relating to the Nordea Group;
- risks relating to the Issuer;
- risks relating to the Cover Pool; and
- other risks relating to the Covered Bonds.

These risks are set out in more detail in "*Risk Factors*" on pages 7 to 20.

RISK FACTORS

An investment in the Covered Bonds involves a degree of risk. Prospective investors should carefully consider the risks set forth below and the other information contained in this Base Prospectus prior to making any investment decision with respect to the Covered Bonds. The risks described below could have a material adverse effect on the business, results of operations, financial condition or future prospects of Nordea Mortgage Bank or the value of the Covered Bonds. Unless otherwise specified, the risk factors under the heading "Risks Relating to the Nordea Group" below that apply in the context of Nordea Bank AB and the Nordea Group are also applicable to Nordea Mortgage Bank.

Additional risks and uncertainties, including those of which Nordea Mortgage Bank's management is not currently aware or deems immaterial, may also potentially have an adverse effect on the Nordea Mortgage Bank's business, results of operations, financial condition or future prospects or may result in other events that could cause investors to lose all or part of their investment.

Words and expressions defined in the "Terms and Conditions of the Covered Bonds" below or elsewhere in this Base Prospectus have the same meanings in this section.

The Issuer believes that the factors described below present the principal risks inherent in investing in the Covered Bonds issued under the Programme, but the inability of the Issuer to pay interest or principal on or in connection with any Covered Bonds may occur for other reasons and the Issuer does not represent that the statements below regarding the risks of holding any Covered Bonds is exhaustive.

Risks Relating to the Nordea Group

Risks Relating to Current Macroeconomic Conditions

Disruptions and volatility in the global financial markets may adversely impact the Nordea Group

From August 2007 through the early part of 2009, the global financial system experienced unprecedented credit and liquidity conditions and disruptions leading to a reduction in liquidity, greater volatility, general widening of spreads and, in some cases, lack of price transparency in money and capital markets interest rates. Following a period of stabilisation in 2010 and the first half of 2011, the recovery was adversely affected by turmoil and disruptions in the capital markets that were triggered by high sovereign budget deficits and rising direct and contingent sovereign debt in Greece, Ireland, Italy, Portugal and Spain. Even though market conditions improved somewhat in the latter part of 2012, the developments in the financial markets were driven mainly by central bank initiatives and markets remained volatile with uncertainty about future macroeconomic developments. For example, the rescue package offered to Cyprus in March 2013 resulted in increased market volatility and speculation about the stability of the euro area. The continued modest GDP growth and low inflation experienced in Europe has also raised concerns, as evidenced by the quantitative easing programme introduced by the European Central Bank in January 2015 and its subsequent expansion and extension at minimum, to March 2017, and the uncertainty over the stability of the euro area, including Greece's ability to continue to comply with the terms of its bailout programme and remaining a member, has continued. The market conditions have also been, and are likely to continue to be, affected by China's economic slowdown and the recent decreases in stock prices particularly in China but also globally, the significant decline and volatility in global oil prices, the prospects of future interest rate hikes in the United States and an escalation of geopolitical tensions in the Middle East and in eastern Ukraine. The United Kingdom's vote to withdraw from the EU, in the form of majority support in the referendum held on 23 June 2016, has also caused uncertainty in the markets. There can also be no assurances that a potential tightening of liquidity conditions in the future as a result of, for example, further deterioration of public finances of certain European countries or deterioration of the financial health of major financial institutions will not lead to new funding uncertainty, resulting in increased volatility and widening credit spreads. Risks related to the economic development in Europe have also had and, despite the recent periods of moderate stabilisation, may continue to have, a negative impact on global economic activity and the financial markets. If these conditions continue to persist, or should there be any further turbulence in these or other markets, this could have a material adverse effect on the Nordea Group's ability to access capital and liquidity on financial terms acceptable to the Nordea Group. Further, any of the foregoing factors could have a material adverse effect on the Nordea Group's business, financial condition and results of operations.

Negative economic developments and conditions in the markets in which the Nordea Group operates can adversely affect the Nordea Group's business and results of operations

The Nordea Group's performance is significantly influenced by the general economic condition in the countries in which it operates, in particular the Nordic markets (Denmark, Finland, Norway and Sweden) and, to a lesser degree, in Russia and the Baltic countries. Following the weakened economic environment and the turmoil in the global financial

markets, in 2008 and 2009, which was reflected in declining economic growth, increasing rates of unemployment as well as decreasing asset values in these countries, the economic conditions in the Nordic region have, in general, developed more favourably relative to the rest of Europe, benefiting from generally sound public finances. However, there have been differences between countries within the region. For example, in 2012, Norway maintained strong growth and the Swedish economy also grew, albeit at a slower pace compared to previous years, while Finland experienced negative growth. Denmark, which was more deeply affected by the financial turmoil and economic slowdown than the other Nordic economies, followed many euro area countries into a recession. In 2013, Norway and Sweden experienced slow growth and, although the recession in Denmark ended with a gradual improvement and stabilising house prices, growth in Denmark was lower compared to Norway and Sweden. Following the more mixed developments in the euro area, the Finnish economy did not grow in 2013. In 2014, the Nordic economies, in general, developed positively, with stronger growth experienced in Sweden and Norway, albeit, in the case of Norway, with concerns about the effects of lower oil prices on the local economy. The growth in Denmark remained at a lower level while growth in Finland was subdued in 2014 and followed the more mixed picture seen in the euro area. The Russian economy has been negatively impacted by the crisis in the region of Crimea and eastern Ukraine. Adverse economic developments have affected and may continue to affect the Nordea Group's business in a number of ways, including, among others, the income, wealth, liquidity, business and/or financial condition of the Nordea Group's customers, which, in turn, could further reduce the Nordea Group's credit quality and demand for the Nordea Group's financial products and services. As a result, any or all of the conditions described above could continue to have a material adverse effect on the Nordea Group's business, financial condition and results of operations, and measures implemented by the Nordea Group might not be satisfactory to reduce any credit, market and liquidity risks.

Risks Relating to the business of the Issuer

Risks relating to Finland and the Finnish mortgage market

The demand for residential mortgage loans in Finland is dependent on market interest rates, residential property prices, employment trends, the state of the economy, taxation and other factors that have an influence on the customers' financing requirements. As a result, the Issuer's results of operation are significantly influenced by the general economic condition in the Finnish mortgage markets. As substantially all of the Issuer's mortgage loans (as defined under "*Summary of Finnish Legislation Regarding Covered Bonds and Relevant to Mortgage Lending*") currently relate to properties located in Finland, the Issuer's performance is influenced by the level and the cyclical nature of business activity in Finland. This is in turn affected by both domestic and international economic and political events. A weakening of the economy in Finland may have an adverse effect on the Issuer's future results and its ability to perform its obligations under the Covered Bonds.

Low interest rates and increased disposable income in Finland have led to continued stable growth in demand for loans, especially in the residential mortgage market. A combination of increasing household indebtedness and stable or declining housing prices in Finland could increase the financial vulnerability of some Finnish mortgage borrowers, especially young and/or low-income borrowers. Most Finnish customers have housing loans with floating interest and increases in interest rates could therefore adversely affect the liquidity situation of some borrowers. An increase in household indebtedness or unemployment, a decline in house prices or an increase in interest rates could have an adverse effect on mortgage borrowers' ability to meet their mortgage obligations and could adversely affect the Issuer's results of operations, financial condition and business prospects and its ability to perform its obligations under the Covered Bonds.

There are risks and uncertainties associated with the proposed cross-border subsidiary mergers

On 4 February 2016, Nordea Bank AB announced that the Board of Directors of Nordea Bank AB, together with each of the boards of directors of its subsidiary banks Nordea Bank Danmark A/S, Nordea Bank Finland and Nordea Bank Norge ASA ("**Nordea Bank Norway**") signed the Merger Plans (as defined under "*The Nordea Group – Legal Structure*"). Under the Merger Plans, the proposed Mergers (as defined under "*The Nordea Group – Legal Structure*") will be implemented through the transfer of the assets and liabilities of each subsidiary bank to Nordea Bank AB through a cross-border merger by way of absorption of a wholly owned subsidiary. The Issuer is currently a wholly-owned subsidiary of Nordea Bank AB. The Merger Plans were approved by the Swedish Financial Supervisory Authority (*Finansinspektionen*) (the "**SFSA**") on 17 May 2016. As of the date of this Base Prospectus, the proposed Mergers remain subject to certain risks and uncertainties, including the inability of Nordea Bank AB to obtain other necessary regulatory approvals or satisfactory outcomes of the discussions with regulators and authorities, including supervisory authorities and tax authorities. Any delay in obtaining the required approvals may also postpone the execution of the proposed Mergers, which the Nordea Group currently expects to take place by early 2017. The failure to consummate the proposed Mergers as currently planned could result in the Nordea Group not obtaining the anticipated benefits of the Mergers.

Credit risks

As a mortgage credit bank, the Issuer's business risk principally pertains to credit risk. Credit risk means that a customer can't fulfil its payment obligations or that the value of granted security is lower than the outstanding debt. Given that a substantial part of the Issuer's lending is granted in exchange for security in real estate the credit risk is also dependent on fluctuations in value in the real estate and housing markets. The business of the Issuer shows relatively low credit risks and the historic credit losses in relation to the mortgages originated by Nordea Bank Finland and transferred to the Issuer have been low. The size of historic credit losses though is not an indicator of the size of future credit losses and there is a risk that future credit losses will be higher.

Market risks

The Issuer lends in Euro but may borrow in multiple currencies. Almost all foreign exchange risk derived from that relationship is intended to be eliminated by using hedging instruments. The business also contains interest rate risk, primarily due to differences between the terms of the interest periods for funding and for lending. The interest rate risk is mitigated by using hedging instruments. The Issuer is dependent on a liquid hedging market to mitigate its foreign exchange and interest rate risks and there are no assurances that the Issuer will be successful in hedging all of its foreign exchange and interest rate risks.

Reliance on derivative arrangements

The Issuer may enter into derivative agreements to hedge interest rate risk, currency exchange risk or liquidity risk. If the Issuer fails to make timely payments of amounts due or certain other events occur in relation to the Issuer under a derivative contract and any applicable grace period expires, then the Issuer will default under that derivative contract. If the Issuer defaults under a derivative contract due to non-payment or otherwise, the relevant derivative counterparty will not be obliged to make further payments under that derivative contract (unless the Issuer has satisfied in full all its payment or delivery obligations under the relevant derivative contract) and may terminate that derivative contract. If a derivative counterparty is not obliged to make payments, if it exercises any right of termination it may have under the relevant derivative contract or if it defaults in its obligations to make payments under a derivative contract, the Issuer will be exposed to changes in currency exchange rates and in the associated interest rates on the currencies, interest rates or liquidity concerns (as applicable). Unless a replacement swap is entered into, the Issuer may have insufficient funds to make payments due on the Covered Bonds.

In addition, Nordea Bank Finland and/or Nordea Bank AB will be a swap counterparty under currency swaps and basis swaps entered into by the Issuer on an arms-length basis. It may be difficult to enter into similar replacement swaps at similar pricing in the event that such derivative contracts terminate. An inability to replace a swap counterparty under a currency or basis swap following a default or termination by the swap counterparty may adversely affect the Issuer's ability to perform its obligations under the Covered Bonds.

Termination payments for swaps

If any of the interest rate, currency or other swaps are terminated, the Issuer may, as a result, be obliged to make a termination payment to the relevant swap provider. The amount of the termination payment will be based on the cost of entering into a replacement swap. There can be no assurance that the Issuer will have sufficient funds available to make a termination payment under the relevant swap.

Liquidity risks

The maturity profile in the Issuer's lending business is to a large extent longer term than the maturity profile within the Issuer's funding operations. The Issuer is therefore to a large extent dependent on being able to refinance matured obligations within the funding operations by obtaining new funding in the bond market. The Issuer also funds itself through revenues from its credit portfolio and finally through financing from Nordea Bank Finland and Nordea Bank AB. If the financial markets develop negatively (see "*Risks relating to current macro-economic circumstances*"), there may be a material negative impact on the Issuer's ability to obtain funding and liquidity on financially reasonable conditions. The above mentioned factors may also have a material negative impact on the Issuer's business, financial position and profitability.

Operational risks

The business of the Issuer is subject to operational risks, as are all banking and finance businesses. Operational risks include, among others, risks relating to deficient products and services, insufficient internal control, vague divisions of responsibilities, defective technical systems, various types of criminal attacks and insufficient preparations to mitigate

disruptions. If the Issuer fails to manage its operational risks, it can't be ruled out that the profitability and financial position of the Issuer would be negatively affected.

Competition

The Issuer faces fierce competition within its business area, primarily from other Finnish and Nordic covered bond issuers. Even though the Issuer currently considers itself to be in a fairly strong position to face the competition, there is a risk that the Issuer's competitiveness decreases in the future which could negatively impact the Issuer's financial performance.

No historic financial information

The Issuer is a recently incorporated entity with no operating history and as such, no historic financial information for it is available. The majority of the Issuer's assets and liabilities, including the Cover Pool and the existing Covered Bonds, have been acquired from Nordea Bank Finland and the Issuer is not aware of any reason why the credit risks and credit losses relating to the Cover Pool should differ materially to the risks and losses that would have been sustained by Nordea Bank Finland had it continued to own the relevant assets.

The Issuer is dependent on Nordea Bank Finland and Nordea Bank AB to run its operations

The Issuer's business is integrated with Nordea Bank Finland's business operations and Nordea Bank Finland's branch network throughout Finland. According to intra-group agreements between the Issuer and Nordea Bank Finland and Nordea Bank AB, the Issuer has appointed Nordea Bank Finland and Nordea Bank AB to operate almost all business operations including, among other things, managing mortgage loans originated by Nordea Bank Finland and transferred to the Issuer and the Issuer's funding. If Nordea Bank Finland or Nordea Bank AB would cease to provide these services or in any other way fail in its obligations towards the Issuer, there could be a negative impact on the Issuer's business, financial position and profitability as well as a consequential inability of the Issuer to fulfil its obligations towards the investors in the Covered Bonds.

Mortgage loans in the Cover Pool are originated by Nordea Bank Finland. The mortgage loans that meet the Eligibility Criteria set out in a transfer agreement entered into between the Issuer and Nordea Bank Finland (the "**Transfer Agreement**") may be transferred to the Issuer. The transferred mortgage loans may then be registered as assets in the Cover Pool. Nordea Bank Finland notifies the borrowers of the Issuer being the new lender, and will continue servicing the mortgage loans pursuant to service agreements entered into between Nordea Bank Finland and the Issuer. The borrower will keep the same account numbers and payment arrangements with Nordea Bank Finland.

The Issuer is reliant on Nordea Bank Finland, as the manager of the mortgage loans, to service all mortgage loans it owns. Although the service arrangements will contain a right on the part of the Issuer to terminate upon material breach by Nordea Bank Finland as manager, default on the part of Nordea Bank Finland or other members of the Nordea Group servicing the mortgage loans could create operational and administrative difficulties for the Issuer and could adversely affect the Issuer's results of operations, financial condition and business prospects and its ability to perform its obligations under the Covered Bonds.

The Issuer has not undertaken, nor will it undertake, any investigations, searches or other actions in respect of the original underwriting and loan-level documentation of the mortgage loans and other assets originated by Nordea Bank Finland contained or to be contained in the Issuer's Cover Pool, but instead fully relies on the warranties of Nordea Bank Finland under the Transfer Agreement and previous agreements in relation to the transfer of such loans. If any mortgage loans originated by Nordea Bank Finland do not comply with the Eligibility Criteria, then the market value of these loans may be diminished and the Issuer may have remedies against Nordea Bank Finland under the Transfer Agreement.

Once the proposed Merger of Nordea Bank AB with Nordea Bank Finland is implemented the operations described above are intended to be conducted by Nordea Bank AB through a branch in Finland (see "*Risks Relating to the business of the Issuer - There are risks and uncertainties associated with the proposed cross-border subsidiary mergers*" above).

Nordea Bank Finland and Nordea Mortgage Bank will be jointly liable for certain obligations following the demerger of Nordea Bank Finland

The Issuer was incorporated to assume the Finnish mortgage credit business operations of Nordea Bank Finland following the partial demerger of Nordea Bank Finland completed on 1 October 2016 (the "**Demerger**"). In accordance with the Finnish Companies Act (*Osaakehtiölaki 624/2006*), the companies taking part in the Demerger are jointly

liable for the liabilities of the demerging company that have arisen prior to the registration of the completion of the Demerger. However, the liabilities of the demerging company that, according to the Demerger plan, transfer to another participating company shall be borne by a participating company only to the maximum amount equaling the value of the net assets retained by or transferred to it in the Demerger. The statutory joint liability is secondary in that a creditor may demand settlement of a claim based thereon only after it has been determined that no payment can be obtained from the debtor or from attaching security. In the Demerger, the assets and liabilities relating to the Finnish mortgage credit business operations of Nordea Bank Finland were transferred to the Issuer, while all the other assets and liabilities remained with Nordea Bank Finland. Thus, the Issuer may have a statutory secondary liability for liabilities remaining with Nordea Bank Finland in accordance with the Demerger plan in the case of Nordea Bank Finland's insolvency, including liabilities that have emerged during the period between signing of the Demerger plan and the completion of the Demerger. Should such secondary liability arise, it could have a material adverse effect on the Issuer's business, financial condition and results of operations. The statutory liability will not, however, affect the statutory benefit of priority to the Cover Pool of Holders (along with counterparties to relating derivative transactions and providers of bankruptcy liquidity loans (each, as defined under "*Summary of Finnish Legislation Regarding Covered Bonds and Relevant to Mortgage Lending*" below)).

Risks Relating to the Legal and Regulatory Environments in which the Issuer Operates

Legal and regulatory claims arise in the conduct of the Issuer's business

In the ordinary course of its business, the Issuer is subject to regulatory oversight and liability risk. Regulations and regulatory requirements are continuously amended and new requirements are imposed on the Issuer, including, but not limited to, regulations on conduct of business, anti-money laundering, economic and financial sanctions, payments, consumer credits, capital requirements, reporting and corporate governance. There can be no assurances that breaches of regulations by the Issuer will not occur and, to the extent that such a breach does occur, that significant liability or penalties will not be incurred. The Issuer may be subject to claims, disputes, legal proceedings and investigations in jurisdictions where it is active. These types of claims, disputes, legal proceedings or investigations expose the Issuer to monetary damages, direct or indirect costs (including legal costs), direct or indirect financial loss, civil and criminal penalties, loss of licences or authorisations, or loss of reputation, criticism or penalties by supervisory authorities as well as the potential for regulatory restrictions on its businesses, all of which could have a material adverse effect on the Issuer's business, financial condition and results of operations. Adverse regulatory actions against the Issuer or adverse judgments in litigation to which the Issuer is a party could result in restrictions or limitations on the Issuer's operations or result in a material adverse effect on the Issuer's business, financial condition and results of operations.

Changes in the Issuer's accounting policies or in accounting standards could materially affect how it reports its financial condition and results of operations.

From time to time, the IASB, the EU and other regulatory bodies change the financial accounting and reporting standards that govern the preparation of the Issuer's financial statements. These changes can be difficult to predict and can materially impact how the Issuer records and reports its results of operations and financial condition. In some cases, the Issuer could be required to apply a new or revised standard retrospectively, resulting in restating prior period financial statements. For example, in July 2014, the IASB issued IFRS 9 Financial Instruments, which will replace IAS 39 and IAS 32. IFRS 9 provides principles for classification of financial instruments, provisioning for expected credit losses and the new general hedge accounting model. IFRS 9, which has not yet been adopted by the EU, will be effective from 1 January 2018. Among other provisions, under IFRS 9, provisioning for expected credit losses on financial assets recognised at amortised cost in the income statement depends on whether the credit risk has increased significantly since initial recognition. If the credit risk has not increased significantly, the provision equals 12-month expected credit losses. If the credit risk has increased significantly, the provision equals the lifetime expected credit losses. The implementation of IFRS 9 is expected to lead to an increase in loan loss provisions, decrease equity and have a negative impact on capital adequacy when implemented and a higher volatility for loan loss provisions after implementation due to the pro-cyclical nature of IFRS 9. As of the date of this Base Prospectus, the Issuer has not yet finalised the impact assessment of the implementation of IFRS 9 and, therefore, it is not yet possible for the Issuer to estimate the effect of IFRS 9 on its financial statements.

Basel III and CRD IV

CRD IV entered into force in Finland on 1 January 2014. CRD IV has been implemented into Finnish legislation and regulation by, among others, the Finnish Act on Credit Institutions (*Laki luottolaitostoininnasta* 610/2014), as amended, which came into force on 15 August 2014 and the regulations and guidelines of the Finnish Ministry of Finance and the Finnish Financial Supervisory Authority (the "**FIN-FSA**").

CRD IV introduces significant changes in the prudential regulatory regime applicable to banks including: increased minimum capital ratios; changes to the definition of capital and the calculation of risk weighted assets; and the introduction of new measures relating to leverage, liquidity and funding. CRD IV permits a transitional period for certain of the enhanced capital requirements and certain other measures, such as the CRD IV leverage ratio, which are not expected to be finally implemented until 2018. Minimum capital requirements came into force from 1 January 2014 without transitional measures. According to the Finnish Act on Credit Institutions (*Laki luottolaitostoiminnasta* 610/2014), as amended the capital conservation buffer applies from 1 January 2015, a countercyclical capital buffer may be set quarterly as of January 2015 and the O-SII buffer applies from 7 January 2016 onwards.

CRD IV requirements adopted in Finland may change, whether as a result of further changes to CRD IV agreed by EU legislators, binding regulatory technical standards to be developed by the EBA or changes to the way in which the European Central Bank interprets and applies these requirements to banks. This may result in a need for further management actions to meet the changed requirements. Until fully implemented, the Issuer cannot predict the precise effects of the changes that result from the implementation of Basel III and CRD IV on both its own financial performance or the impact on the pricing of its Covered Bonds issued under the Programme. Prospective investors in the Covered Bonds should consult their own advisers as to the consequences of the implementation of Basel III and CRD IV.

Bank Recovery and Resolution Directive

Directive 2014/59/EU providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms (the "**BRRD**") entered into force in July 2014. The stated aim of the BRRD is to provide authorities with common tools and powers to address banking crises pre-emptively in order to safeguard financial stability and minimise taxpayers' exposure to losses. The BRRD was implemented in Finland on 1 January 2015.

The powers granted to the authorities designated by member states of the European Union to apply the resolution tools and exercise the resolution powers set forth in the BRRD ("**resolution authorities**") include the introduction of a statutory "write-down and conversion power" with respect to capital instruments and a "bail-in power", which will give the relevant resolution authority the power to cancel all or a portion of the principal amount of, or interest on, certain other eligible liabilities, whether unsubordinated or subordinated, of a failing financial institution and/or to convert certain debt claims into another security, including ordinary shares of the surviving group entity, if any, which may itself be written down. Certain liabilities are excluded from the scope of bail-in powers, including liabilities to the extent that they are secured (such as the rights of Holders to the extent they are secured). The bail-in power can be used to recapitalise an institution that is failing or about to fail, allowing authorities to restructure it through the resolution process and restore its viability after reorganisation and restructuring. The write-down and conversion power can be used to ensure that tier 1 and tier 2 capital instruments fully absorb losses at the point of non-viability of an institution and before any other resolution action is taken.

In addition to the bail-in power and the write-down and conversion power, the BRRD provides resolution authorities with broader powers to implement other resolution measures with respect to distressed banks, which may include (without limitation): (i) directing the sale of the bank or the whole or part of its business on commercial terms without requiring the consent of the shareholders or complying with the procedural requirements that would otherwise apply, (ii) transferring all or part of the business of the bank to a "bridge institution" (a publicly controlled entity), (iii) transferring the impaired or problem assets to an asset management vehicle to allow them to be managed and worked out over time, (iv) replacing or substituting the bank as obligor in respect of debt instruments, (v) modifying the terms of debt instruments (including altering the maturity and/or the amount of interest payable and/or imposing a temporary suspension on payments), and/or (vi) discontinuing the listing and admission to trading of financial instruments.

In accordance with the Finnish implementation of the BRRD, the resolution powers of the national authorities were implemented with effect from 1 January 2015 by a new legislation package that was passed on 19 December 2014, including, *inter alia*, the new Finnish Act on Crisis Resolution of Credit Institutions and Investment Service Companies (*Laki luottolaitosten ja sijoituspalveluyritysten kriisinsäätelystä* 1194/2014).

Although the bail-in powers are not intended to apply to secured debt (such as the rights of holders of the Covered Bonds to the extent they are secured), there remains significant uncertainty regarding the ultimate nature and scope of the bail-in tool and other resolution powers and how they would affect the Issuer, the Nordea Group and the holders of the Covered Bonds.

The exercise of any actions contemplated in the BRRD or any suggestion of such exercise could materially adversely affect the price or value of an investment in Covered Bonds and/or the ability of the relevant Issuer to satisfy its

obligations under such Covered Bonds and could lead to the holders of the Covered Bonds losing some or all of their investment in the Covered Bonds. Prospective investors in the Covered Bonds should consult their own advisors as to the consequences of the implementation of the BRRD.

Risks Relating to the Cover Pool

In the context of Covered Bonds, it should be noted that the CBA imposes several obligations on the Issuer that are intended to mitigate some of the risks described below. See "*Summary of Finnish Legislation Regarding Covered Bonds and Relevant to Mortgage Lending*" on pages 73 to 78.

Benefit of Cover Pool

The Holders (along with counterparties to relating derivative transactions and providers of bankruptcy liquidity loans (each, as defined under "*Summary of Finnish Legislation Regarding Covered Bonds and Relevant to Mortgage Lending*" below)) have the benefit of priority to the Cover Pool, upon liquidation or bankruptcy of Nordea Mortgage Bank. The assets in the Cover Pool are owned by Nordea Mortgage Bank but will in Nordea Mortgage Bank's liquidation or bankruptcy not be available to any other creditor until the Holders and related derivative counterparties have been repaid in full. Under Section 25 of the CBA, this priority is limited to 70 per cent. in respect of housing loans and 60 per cent. in respect of commercial property loans of the current value of the property which stands as collateral for such mortgage loans (each, as defined under "*Summary of Finnish Legislation Regarding Covered Bonds and Relevant to Mortgage Lending*" below). The bankruptcy administrator shall (with certain exceptions for non-performing loans) assign the share of payments out of any such loan exceeding the preferential right to the general bankruptcy estate. To the extent that claims in relation to the Covered Bonds are not met out of the assets in the Cover Pool, the residual claims will rank *pari passu* with the other unsecured and unsubordinated obligations of Nordea Mortgage Bank. Given the *pari passu* ranking of the Covered Bonds, related derivative transactions and bankruptcy liquidity loans under the CBA, in the event of the Issuer's liquidation or bankruptcy, the amount available to be paid to holders of Covered Bonds out of the Cover Pool on a prioritised basis may be affected by the amounts payable at the relevant time to counterparties of related derivative transactions and the providers of bankruptcy liquidity loans. See also "*Liquidity post Nordea Mortgage Bank bankruptcy*" below and "*Summary of Finnish Legislation Regarding Covered Bonds and Relevant to Mortgage Lending*" on pages 73 to 78.

Failure of the Cover Pool to meet the matching requirements

Nordea Mortgage Bank will be required under the CBA to comply with certain matching requirements as long as there is any Covered Bond outstanding. Under the CBA, if the Cover Pool does not fulfil the requirements provided for in the CBA, the FIN-FSA may set a time limit within which the issuer shall place more collateral in compliance with the CBA. If these requirements are not met with, the issuer's license for mortgage credit bank operations may be withdrawn. If the Issuer is placed in liquidation or declared bankrupt, and the requirements for the total amount of collateral of the Covered Bonds in sections 16 and 17 of the CBA cannot be fulfilled, a supervisor appointed by the FIN-FSA may demand that the Issuer's bankruptcy administrator declare the Covered Bonds due and payable and sell the assets being used as collateral for the Covered Bonds. This could result in the holders of Covered Bonds receiving payment according to a schedule that is different than that contemplated by the terms of the Covered Bonds (with accelerations as well as delays) or that the holders of Covered Bonds are not paid in full, in part, due to the statutory limit to the priority of holders of Covered Bonds. See also "*Summary of Finnish Legislation Regarding Covered Bonds and Relevant to Mortgage Lending—Quality of the cover pool assets—Requirements for matching cover*" on page 75 and "*Summary of Finnish Legislation Regarding Covered Bonds and Relevant to Mortgage Lending—Management of cover pool assets during the liquidation or bankruptcy of the issuer*" on page 77.

Transfer of Covered Bonds and Cover Pool in bankruptcy

In bankruptcy, a bankruptcy administrator may, with the permission of the FIN-FSA, transfer the liability for a covered bond and the corresponding collateral to a mortgage credit bank, deposit bank or credit entity that has acquired a licence to issue covered bonds or to a foreign mortgage credit bank which is subject to supervision corresponding to that of the CBA unless the terms of the covered bond provide otherwise. See also "*Summary of Finnish Legislation Regarding Covered Bonds and Relevant to Mortgage Lending—Management of cover pool assets during the liquidation or bankruptcy of the issuer*" on page 77.

No market for collateral in Finland after an insolvency of Nordea Mortgage Bank

There is no assurance as to whether there will be a trading market for the collateral in the Cover Pool in Finland or an eligible transferee to take over the obligations relating to the Covered Bonds and the corresponding collateral after an insolvency of the Issuer.

Liquidity post Nordea Mortgage Bank bankruptcy

It is believed that neither an insolvent issuer nor its bankruptcy estate would have the ability to issue Covered Bonds. Under the CBA, the bankruptcy administrator (upon the demand or the consent of a supervisor appointed by the FIN-FSA) may, however, raise liquidity through the sale of mortgage loans and other assets in the Cover Pool to fulfil the obligations relating to the Covered Bonds. Further, the bankruptcy administrator (upon the demand or the consent of the supervisor appointed by the FIN-FSA) may take out liquidity loans and enter into other agreements for the purpose of securing liquidity. Counterparties in such transactions will rank *pari passu* with holders of Covered Bonds and existing derivative counterparties with respect to assets in the Cover Pool. However, there can be no assurance as to the actual ability of the bankruptcy estate to raise post-bankruptcy liquidity, which may result in a failure by the Issuer to make full and timely payments to holders of Covered Bonds and existing derivative counterparties.

Collection of mortgage loans and default by borrowers

The mortgage loans which secure the Covered Bonds will comprise loans secured on property. A borrower may default on its obligation under such mortgage loan. Defaults may occur for a variety of reasons. Defaults under mortgage loans are subject to credit, liquidity and interest rate risks and rental yield reduction (in the case of investment properties). Various factors influence mortgage delinquency rates, prepayment rates, repossession frequency and the ultimate payment of interest and principal, such as changes in the national or international economic climates, regional economic or housing conditions, changes in tax laws, interest rates, inflation, the availability of financing, yields on alternative investments, political developments and government policies. Other factors relating to borrowers' individual, personal or financial circumstances may affect the ability of the borrowers to repay the mortgage loans. Loss of earnings, illness, divorce, weakening of financial conditions or the results of business operations and other similar factors may lead to an increase in delinquencies by and bankruptcies of borrowers, and could ultimately have an adverse impact on the ability of borrowers to repay the mortgage loans. In addition, the ability of a borrower to sell a property given as security for a mortgage loan at a price sufficient to repay the amounts outstanding under that mortgage loan will depend upon a number of factors, including the availability of buyers for that property, the value of that property and property values in general at the time.

Concentration of Location of Properties

Mortgage loans contained in the Cover Pool will primarily be secured on property located or incorporated in Finland. The value of the Cover Pool may decline sharply and rapidly in the event of a general downturn in the value of property in Finland. Any such downturn may hence have an adverse effect on the Issuer's ability to make payment under the Covered Bonds.

No due diligence in relation to the Cover Pool

No investigations, searches or other actions in respect of any assets contained or to be contained in the pool of assets covering the Covered Bonds has or will be performed by the Arranger or the Dealers. Nordea Mortgage Bank is obliged to ensure the Cover Pool fulfils the requirements of the CBA.

Limited description of the assets in the Cover Pool

Save for any Cover Pool data Nordea Mortgage Bank makes available on its website, investors will not receive information in relation to the mortgage loans and other assets included in the Cover Pool. It is expected that the constitution of the Cover Pool will change from time to time through the repayment of the mortgage loans by borrowers or new mortgage loans or other assets being added to the Cover Pool. However, the FIN-FSA will monitor Nordea Mortgage Bank's compliance with the matching requirements, eligibility criteria and certain other material provisions of CBA. As the Cover Pool is dynamic, there are no assurances that the credit quality of the assets in the Cover Pool will remain the same as at the date of this Base Prospectus or on or after the issue date of any Covered Bonds.

Risks Relating to the Covered Bonds

Credit Risk

Investors in Covered Bonds issued by the Issuer take a credit risk on Nordea Mortgage Bank. The Covered Bonds are not guaranteed by Nordea Bank Finland, any other company within the Nordea Group or any other person.

The Covered Bonds may not be a suitable investment for all investors

Each potential investor in the Covered Bonds must determine the suitability of that investment in light of such investor's own circumstances. In particular, each potential investor should:

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Covered Bonds, the merits and risks of investing in the relevant Covered Bonds and the information contained in this Base Prospectus or any applicable supplement to this Base Prospectus;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Covered Bonds and the impact such investment will have on its overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Covered Bonds, including Covered Bonds with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the currency in which such potential investor's financial activities are principally denominated;
- (d) understand thoroughly the terms of the relevant Covered Bonds and the behaviour of any relevant financial markets; and
- (e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Covered Bonds are complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to the investor's overall portfolio. A potential investor should not invest in Covered Bonds which are complex financial instruments unless it has the expertise (either alone or with the assistance of a financial adviser) to evaluate how the Covered Bonds will perform under changing conditions, the resulting effects on the value of such Covered Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

No Events of Default

The terms and conditions of the Covered Bonds do not include any events of default relating to the Issuer, and therefore the terms and conditions of the Covered Bonds do not entitle holders of Covered Bonds to accelerate the Covered Bonds.

The Covered Bonds may not be freely transferred

Nordea Mortgage Bank has not registered, and will not register, the Covered Bonds under the Securities Act or any other securities laws. Accordingly, the Covered Bonds are subject to certain restrictions on resale and other transfer thereof as set forth in the section entitled "*Subscription and Sale*." As a result of these restrictions, Nordea Mortgage Bank cannot be certain of the existence of a secondary market for the Covered Bonds or the liquidity of such a market if one develops. Consequently, a Holder of Covered Bonds and an owner of beneficial interests in those Covered Bonds must be able to bear the economic risk of their investment in the Covered Bonds for the terms of the Covered Bonds.

There is no active trading market for the Covered Bonds

The Covered Bonds issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Series of Covered Bonds which is already issued). If the Covered Bonds are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer.

Although applications have been made for the Covered Bonds issued under the Programme to be admitted (i) to listing on the Official List of the Irish Stock Exchange and to trading on its Main Securities Market; and (ii) to listing on the official list of the FCA and to trading on the regulated market of the London Stock Exchange, there is no assurance that such applications will be accepted, that any particular Tranche of Covered Bonds will be so admitted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for any particular Tranche of Covered Bonds.

Holders of Covered Bonds are subject to market volatility

Holders of Covered Bonds should be aware that, in view of the prevailing and widely reported global credit market conditions (which, to a certain extent, continue as of the date of this Base Prospectus), the secondary market for the Covered Bonds and instruments of this kind may be illiquid. The Issuer cannot predict when these circumstances will change.

Credit ratings are subject to revision, suspension or withdrawal at any time, and a change in the credit ratings of the Covered Bonds, or a new unsolicited credit rating assigned to the Covered Bonds, could affect the market value and reduce the liquidity of the Covered Bonds.

A credit rating is not a recommendation to buy, sell or hold the Covered Bonds and may be subject to revision, suspension or withdrawal by the relevant rating agency at any time. There can be no assurance that a rating assigned to a series of Covered Bonds will remain for any given period of time or that a rating will not be lowered or withdrawn by the relevant rating agency if, in its judgment, circumstances in the future so warrant. In the event that a rating assigned to the Covered Bonds is subsequently lowered for any reason, no person or entity is obliged to provide any additional support or credit enhancement with respect to the Covered Bonds, and the market value and liquidity of the Covered Bonds may be adversely affected. Covered Bonds that are subject to a ratings downgrade may also be more susceptible to price volatility than higher-rated securities. In addition, the Issuer's credit ratings do not always mirror the risk related to individual Covered Bonds issued under the Programme. Real or anticipated changes in the Issuer's credit ratings generally will also affect the market value of the Covered Bonds.

Ratings agencies also regularly reassess the methodologies they employ to measure the creditworthiness of companies and securities. Any updates to these methodologies could affect the credit ratings issued by the agencies.

To the extent permitted by a rating agency hired by the Issuer, the Issuer may decline a rating (which may include a non-investment grade rating) assigned by the hired rating agency to a Tranche of Covered Bonds, which would typically delay the publication of that rating by such rating agency for a period of 12 months. In addition to ratings assigned by any hired rating agencies, rating agencies not hired by the Issuer to rate a Tranche of Covered Bonds may assign unsolicited ratings. If any non-hired rating agency assigns an unsolicited rating to any Covered Bonds, there can be no assurance that such rating will not differ from, or be lower than, the ratings provided by a hired rating agency. The decision to decline a rating assigned by a hired rating agency, the delayed publication of such rating or the assignment of a non-solicited rating by a rating agency not hired by the Issuer could adversely affect the market value and liquidity of the Covered Bonds.

Fixed rate Covered Bonds are subject to interest rate risks

Investment in fixed rate Covered Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of fixed rate Covered Bonds.

Interest on floating rate Covered Bonds may fall below the margin

A Holder of floating rate Covered Bonds is exposed to the risk of fluctuating interest rate levels and uncertain interest income. Fluctuating interest rate levels make it impossible to determine the yield of floating rate Covered Bonds in advance. In the event that the reference rate used to calculate the applicable interest rate turns negative, the interest rate will be below the margin, if any, and may be zero and accordingly, the Holders of floating rate Covered Bonds may not be entitled to interest payments for certain or all interest periods. Neither the current nor the historical value of the relevant floating rate should be taken as an indication of the future development of such floating rate during the term of any Covered Bonds.

Risks relating to fixed/floating rate Covered Bonds

Fixed/floating rate Covered Bonds may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Covered Bonds since the Issuer may be expected to convert the rate

when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the fixed/floating rate Covered Bonds may be less favourable than then prevailing spreads on comparable floating rate Covered Bonds tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Covered Bonds. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Covered Bonds.

The Covered Bonds may be issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

The Covered Bonds are subject to risks related to exchange rates and exchange controls

The Issuer will pay principal and interest on the Covered Bonds in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Covered Bonds, (2) the Investor's Currency equivalent value of the principal payable on the Covered Bonds and (3) the Investor's Currency equivalent market value of the Covered Bonds.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

The Covered Bonds may be redeemed early

Unless in the case of any particular Tranche of Covered Bonds the relevant Final Terms or Pricing Supplement specifies otherwise, in the event that the Issuer would be obliged to increase the amounts payable in respect of any Covered Bonds due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Finland or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Covered Bonds in accordance with the Conditions.

In addition, if in the case of any particular Tranche of Covered Bonds the relevant Final Terms or Pricing Supplement specifies that the Covered Bonds are redeemable at the Issuer's option in certain other circumstances the Issuer may choose to redeem the Covered Bonds at times when prevailing interest rates may be relatively low. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Covered Bonds.

An optional redemption feature is likely to limit the market value of Covered Bonds. During any period when the Issuer may elect to redeem Covered Bonds, the market value of such Covered Bonds generally will not rise substantially above and may in fact decrease below the price at which they can be redeemed. This also may be true prior to any redemption period.

Other than as provided in the Conditions of the Covered Bonds, Covered Bonds may also be redeemed early in accordance with the CBA as described elsewhere in this Base Prospectus.

Meetings of Holders

The Terms and Conditions of the Covered Bonds and the Fiscal Agency Agreement contain provisions for calling meetings of Holders to consider matters affecting their interests. These provisions permit defined majorities to bind all Holders, including Holders who did not attend and vote at the relevant meeting or Holders who voted in a manner contrary to the majority.

The Terms and Conditions of the Covered Bonds may be changed

The Terms and Conditions applicable to each Series will be as agreed between the Issuer and the relevant Dealer at or prior to the time of issuance of such Series, and will be specified in the relevant Final Terms or Pricing Supplement. The Terms and Conditions applicable to each Series will therefore be those set out in this Base Prospectus, subject to being completed by the relevant Final Terms in relation to each Series or (in the case of Exempt Covered Bonds only) as completed, amended and/or replaced by the relevant Pricing Supplement(s) in relation to each Series.

Conflicting interests of other creditors

The claims of the Holders of Covered Bonds and derivative counterparties included in the Cover Pool rank *pari passu* with the claims of all other creditors of the Issuer (other than those preferred by law), but have a preferential right against the Cover Pool save for costs incurred in connection with the operation, management, collection and realisation of the Cover Pool which shall be covered before the claims of the Holders of Covered Bonds and claims relating to the fees and the expenses of a bankruptcy estate. In addition, the Holders of Covered Bonds' preferential rights against the Cover Pool rank *pari passu* with the rights of other covered bondholders of the Issuer and any related derivative counterparties, for example, covered bondholders holding registered covered bonds formerly issued by Nordea Bank Finland, or issued under any other covered bond programme which the Issuer may establish in the future.

To the extent that Holders of Covered Bonds are not fully paid from the proceeds of the liquidation of the assets comprising the Cover Pool, they will be able to apply for the balance of their claims as unsecured creditors of the Issuer and will be entitled to receive payment from the proceeds of the liquidation of the other assets of the Issuer not comprising the Cover Pool. The Holders of Covered Bonds would then rank *pari passu* with any other mortgage covered bondholders, derivative counterparties and the other unsecured, unsubordinated creditors of the Issuer and, as a result, may not receive all amounts owed to them by the Issuer.

Changes in law and regulations

No assurance can be given as to the impact of any possible judicial decision or change to English law and/or Finnish law or administrative practice after the date of this Base Prospectus.

The Covered Bonds may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of the minimum Specified Denomination

In relation to any issue of Covered Bonds which have a denomination consisting of a minimum Specified Denomination (as defined in the Final Terms or Pricing Supplement) plus a higher integral multiple of another smaller amount, it is possible that the Covered Bonds may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of the minimum Specified Denomination. In such a case a Holder who, as a result of trading such amounts, holds a principal amount of less than the minimum Specified Denomination may not receive a definitive Covered Bond in respect of such holding (should definitive Covered Bonds be printed) and would need to purchase a principal amount of Covered Bonds such that its holding amounts to the minimum Specified Denomination.

The amount of Covered Bonds to be issued under the Programme may be changed

The aggregate principal amount of Covered Bonds to be issued under the Programme is subject to increase or decrease as provided in the Dealership Agreement (as defined herein).

The proposed financial transactions tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Covered Bonds (including secondary market transactions) in certain circumstances. The issuance and subscription of Covered Bonds should, however, be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Covered Bonds where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances,

including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States and the scope of any such tax is uncertain. Additional EU Member States may decide to participate.

Prospective holders of the Covered Bonds are advised to seek their own professional advice in relation to the FTT.

Payments under the Covered Bonds may be subject to withholding tax pursuant to the U.S. Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("foreign passthru payments") to persons that fail to meet certain certification, reporting, or related requirements. A number of jurisdictions (including Finland) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("IGAs"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Covered Bonds, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Covered Bonds, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Covered Bonds, such withholding would not apply prior to 1 January 2019 and would not apply even after that date to Covered Bonds treated as debt for U.S. federal income tax purposes issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register which generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the issuer). However, if additional notes (as described under "*Terms and Conditions of the Covered Bonds—13. Further Issues*") that are not distinguishable from previously issued Covered Bonds are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Covered Bonds, including the Covered Bonds offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Covered Bonds. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Covered Bonds, no person will be required to pay additional amounts as a result of the withholding.

Because the Global Covered Bonds are held by or on behalf of clearing systems, investors will have to rely on the relevant clearing system's procedures for transfer, payment and communication with the Issuer

Covered Bonds issued under the Programme may be represented by one or more Global Covered Bonds. Such Global Covered Bonds will be deposited with a common depositary, or as the case may be a common safekeeper for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the relevant Global Covered Bond, investors will not be entitled to receive definitive Covered Bonds. The relevant clearing system(s) will maintain records of the beneficial interests in the Global Covered Bonds. While the Covered Bonds are represented by one or more Global Covered Bonds, investors will be able to trade their beneficial interests only through the relevant clearing system(s).

While the Covered Bonds are represented by one or more Global Covered Bonds, the Issuer will discharge its payment obligations under the Covered Bonds by making payments to the common depositary, or as the case may be a common safekeeper for the relevant clearing system(s) or a nominee thereof for distribution to their account holders. A holder of a beneficial interest in a Global Covered Bond must rely on the procedures of the relevant clearing system(s) to receive payments under the relevant Covered Bonds. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Covered Bonds.

Holders of beneficial interests in the Global Covered Bonds will not have a direct right to vote in respect of the relevant Covered Bonds. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system(s) to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Covered Bonds will not have a direct right under the Global Covered Bonds to take enforcement action against the Issuer in the event of a default under the relevant Covered Bonds but will have to rely upon their rights under the Deed of Covenant.

Investors will have to rely on Euroclear Finland's procedures (as the case may be) for transfer, payment and communication with the Issuer

Investors in Finnish Covered Bonds will have to rely on the relevant clearing system's or the relevant Issuing Agent's, as the case may be, procedures for transfer, payment and communication with the Issuer.

Finnish Covered Bonds issued under the Programme will not be evidenced by any physical note or document of title other than statements of account made by Euroclear Finland, as the case may be. Ownership of Finnish Covered Bonds will be recorded and transfer effected only through the book-entry system and register maintained by Euroclear Finland.

Extendable obligations under the Covered Bonds

The applicable Final Terms or Pricing Supplement may provide that an Extended Maturity Date applies to the relevant Series of Covered Bonds.

The extension of the maturity of the principal amount outstanding of the Covered Bonds from the Maturity Date to the Extended Maturity Date will not result in any right of the Covered Bondholders to accelerate payments or take action against the Issuer or give any Covered Bondholders any right to receive payment of interest, principal or otherwise on the relevant Covered Bonds other than as expressly set out in the Terms and Conditions of the Covered Bonds as amended by the applicable Final Terms or Pricing Supplement.

Therefore, investors investing in Covered Bonds with an Extended Maturity Date should be aware of the possibility that their Covered Bonds will not be paid on the Maturity Date and that the interest basis, interest rates and interest periods for the period from the Maturity Date to the Extended Maturity Date may be different to those applicable for the period from the Issue Date to the Maturity Date, as specified in the relevant Final Terms or Pricing Supplement.

Change of debtor

In respect of the Covered Bonds, a substitution of the Issuer may only take place pursuant to the CBA upon the Issuer's insolvency.

FORM OF THE COVERED BONDS

Covered Bonds may be issued (i) in the case of Covered Bonds other than Finnish Covered Bonds, in bearer form or in registered form or (ii) in the case of Finnish Covered Bonds, in uncertificated and dematerialised book-entry form cleared through Euroclear Finland, as the case may be, as specified in the relevant Final Terms or Pricing Supplement. Covered Bonds in bearer form will not be exchangeable for Covered Bonds in registered form and Covered Bonds in registered form will not be exchangeable for Covered Bonds in bearer form.

Form of Bearer Covered Bonds

Covered Bonds of each Tranche of each Series to be issued in bearer form ("**Bearer Covered Bonds**" comprising a "**Bearer Series**") will initially be represented by a temporary global covered bond in bearer form (each a "**Temporary Global Covered Bond**"), without interest coupons ("**Coupons**") or talons for further Coupons ("**Talons**"). Covered Bonds may be issued in Classic Global Covered Bond ("**Classic Global Covered Bond**" or "**CGCB**") or New Global Covered Bond ("**New Global Covered Bond**" or "**NGCB**") form, as specified in the relevant Final Terms or Pricing Supplement. Each Temporary Global Covered Bond which is not intended to be issued in a New Global Covered Bond form, as specified in the relevant Final Terms or Pricing Supplement, will be deposited with a common depositary on behalf of Clearstream Banking S.A. ("**Clearstream, Luxembourg**") and Euroclear Bank SA/NV ("**Euroclear**") on the relevant Issue Date. Each Temporary Global Covered Bond which is intended to be issued in New Global Covered Bond form, as specified in the relevant Final Terms or Pricing Supplement, will be deposited with a common safekeeper for Euroclear and/or Clearstream, Luxembourg on the relevant Issue Date.

The NGCB form has been introduced to allow for the possibility of Covered Bonds being issued and held in a manner which will permit them to be recognised as eligible collateral for monetary policy of the central banking system for the euro (the "**Eurosystem**") and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. However in any particular case such recognition will depend upon satisfaction of the Eurosystem eligibility criteria at the relevant time.

Interests in a Temporary Global Covered Bond will be exchangeable for interests in a permanent global covered bond in bearer form (each, a "**Permanent Global Covered Bond**"), without Coupons or Talons, on or after the date 40 days after the later of the relevant Issue Date and the completion of distribution of all Covered Bonds of a Tranche of a Bearer Series (the "**Exchange Date**"), upon certification as to non-U.S. beneficial ownership. Each Permanent Global Covered Bond which is not intended to be issued in NGCB form, as specified in the relevant Final Terms or Pricing Supplement, will be deposited with a common depositary on behalf of Clearstream, Luxembourg and Euroclear or any other relevant clearing system(s) on the relevant Exchange Date. Each Permanent Global Covered Bond which is intended to be issued in NGCB form, as specified in the relevant Final Terms or Pricing Supplement, will be deposited with a common safekeeper for Euroclear and/or Clearstream, Luxembourg on the relevant Exchange Date.

The Permanent Global Covered Bond will be exchangeable in whole (but not in part) for definitive Bearer Covered Bonds in the limited circumstances more fully described herein.

In the case of Bearer Covered Bonds (or any Tranche thereof) having a maturity of more than 1 year from the Issue Date, the Permanent Global Covered Bond, the definitive Bearer Covered Bonds and any Coupons and Talons appertaining thereto will bear a legend to the following effect:

"Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."

The sections referred to in such legend provide that a United States person who holds a Bearer Covered Bond, Coupon or Talon will generally not be allowed to deduct any loss realised on the sale, exchange or exercise or redemption of such Bearer Covered Bond, Coupon or Talon and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or exercise or redemption will be treated as ordinary income.

If any interest payment on the Covered Bonds of a particular Series falls due whilst any of the Covered Bonds of that Series are represented by a Temporary Global Covered Bond, the related interest payment will be made on such Temporary Global Covered Bond only to the extent that certification as to non-US beneficial ownership has been received by Euroclear or Clearstream, Luxembourg or any other relevant clearing system(s) in accordance with the terms of such Temporary Global Covered Bond. Payments of amounts due in respect of a Permanent Global Covered Bond will be made through Euroclear or Clearstream, Luxembourg or any other relevant clearing system(s) without any requirement for certification.

The applicable Final Terms or Pricing Supplement will specify that a Permanent Global Covered Bond will be exchangeable, in whole but not in part, for definitive Bearer Covered Bonds ("**Definitive Bearer Covered Bonds**") upon (i) the expiry of such period of notice as may be specified in the relevant Final Terms or Pricing Supplement; (ii) at any time, if so specified in the relevant Final Terms or Pricing Supplement; or (iii) if the relevant Final Terms or Pricing Supplement specifies "in the limited circumstances specified in the Permanent Global Covered Bond", then only upon the occurrence of an Exchange Event. Covered Bonds for which the applicable Final Terms or Pricing Supplement permit trading in the Clearing Systems in Tradable Amounts which are not a Specified Denomination will only be exchangeable for Definitive Bearer Covered Bonds upon an Exchange Event. For these purposes, "**Exchange Event**" means that the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system satisfactory to the Fiscal Agent is available. The Issuer will promptly give notice to Holders in accordance with Condition 12 of the "*Terms and Conditions of the Covered Bonds*" if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Covered Bond) may give notice to the Fiscal Agent requesting exchange. Any such exchange shall occur not later than 30 days after the date of receipt of the first relevant notice by the Fiscal Agent. Definitive Bearer Covered Bonds will, if interest bearing, have Coupons attached and, if appropriate, a Talon for further Coupons.

Form of Registered Covered Bonds

Each Tranche of Registered Covered Bonds will be in registered form represented by either individual Registered Covered Bond certificates in registered form ("**Individual Covered Bond Certificates**") or a global covered bond in registered form (a "**Global Registered Covered Bond**"), as specified in the relevant Final Terms or Pricing Supplement. Each Registered Covered Bond represented by a Global Registered Covered Bond will either be: (a) in the case of a Global Registered Covered Bond which is not to be held under the new safekeeping structure ("**New Safekeeping Structure**" or "**NSS**"), registered in the name of a common depositary (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Global Registered Covered Bond will be deposited on or about the issue date with the common depositary; or (b) in the case of a Global Registered Covered Bond to be held under the New Safekeeping Structure, be registered in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and the relevant Global Registered Covered Bond will be deposited on or about the issue date with the common safekeeper for Euroclear and/or Clearstream, Luxembourg.

The NSS form has been introduced to allow for the possibility of Covered Bonds being issued and held in a manner which will permit them to be recognised as eligible collateral for monetary policy of the central banking system for the euro (the "**Eurosystem**") and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. However in any particular case such recognition will depend upon satisfaction of the Eurosystem eligibility criteria at the relevant time.

If the relevant Final Terms or Pricing Supplement specifies the form of Covered Bonds as being "Individual Covered Bond Certificates", then the Covered Bonds will at all times be in the form of Individual Covered Bond Certificates issued to each Holder in respect of their respective holdings.

If the relevant Final Terms or Pricing Supplement specifies the form of Covered Bonds as being "Global Registered Covered Bonds exchangeable for Individual Covered Bond Certificates", then the Covered Bonds will initially be in the form of a Global Registered Covered Bond which will be exchangeable in whole, but not in part, for Individual Covered Bond Certificates upon (i) the expiry of such period of notice as may be specified in the relevant Final Terms or Pricing Supplement; (ii) at any time, if so specified in the relevant Final Terms or Pricing Supplement; or (iii) if the relevant Final Terms or Pricing Supplement specifies "in the limited circumstances specified in the Global Registered Covered Bond", then only upon the occurrence of an Exchange Event.

The Issuer will promptly give notice to Holders in accordance with Condition 12 of the "*Terms and Conditions of the Covered Bonds*" if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Global Registered Covered Bond) may give notice to the Fiscal Agent requesting exchange. Any such exchange shall occur not later than five Business Days after the date on which such information as is required to complete and deliver Individual Covered Bond Certificates is delivered to the Registrar.

Form of Finnish Covered Bonds

Each Tranche of Finnish Covered Bonds will be issued in uncertificated and dematerialised book-entry form in accordance with the Finnish Act on the Book-Entry Securities System and Clearing Activity (*Laki arvo-*

osuusjärjestelmästä ja selvitystoiminnasta 749/2012), as amended. No global or definitive Covered Bonds will be issued in respect thereof. The holder of a Finnish Covered Bond will be the person evidenced as such by the register for such Covered Bond maintained by Euroclear Finland on behalf of the Issuer. Where a nominee in accordance with such legislation is so evidenced it shall be treated by the Issuer as the holder of the relevant Finnish Covered Bond.

Title to Finnish Covered Bonds will pass by transfer between accountholders of Euroclear Finland, perfected in accordance with the legislation, rules and regulations applicable to and/or issued by Euroclear Finland that are in force and effect from time to time. Issues of Finnish Covered Bonds will be issued with the benefit of the Fiscal Agency Agreement. On the issue of Finnish Covered Bonds, the Issuer will send a copy of the applicable Final Terms or Pricing Supplement to the Paying Agent, with copies sent to the Fiscal Agent and Finnish Issuing Agent.

Settlement of sale and purchase transactions in respect of the Finnish Covered Bonds in Euroclear Finland will take place in accordance with market practice at the time of the transaction. Transfers of interests in the relevant Finnish Covered Bonds will take place in accordance with the rules and procedures for the time being of Euroclear Finland.

The person evidenced (including any nominee) as a holder of the Finnish Covered Bonds shall be treated as the holder of such Finnish Covered Bonds for the purposes of payment of principal or interest on such Finnish Covered Bonds. The expressions "**Covered Bondholders**" and "**holder of Covered Bonds**" and related expressions shall, in each case, be construed accordingly.

SUMMARY OF PROVISIONS RELATING TO THE COVERED BONDS WHILE IN GLOBAL FORM

Each Temporary Global Covered Bond, Permanent Global Covered Bond and Global Registered Covered Bond, each a "**Global Covered Bond**" contains provisions which apply to the Covered Bonds while they are in global form, some of which modify the effect of the terms and conditions of the Covered Bonds set out herein. Set out in this section is a summary of certain of those provisions.

Payments in respect of Bearer Covered Bonds

Payments of principal, interest and any additional amounts pursuant to Condition 7 (*Payments*) of the Covered Bonds, if any, in respect of the Bearer Covered Bonds when represented by a Temporary Global Covered Bond or a Permanent Global Covered Bond which is not intended to be issued in NGCB form will be made against presentation and surrender or, as the case may be, presentation of the relevant Temporary Global Covered Bond or Permanent Global Covered Bond to or to the order of any of the Paying Agents. In respect of Covered Bonds in CGCB form, a record of each payment so made will be endorsed on the relevant schedule to the Temporary Global Covered Bond or Permanent Global Covered Bond by or on behalf of the Fiscal Agent, which endorsement will be *prima facie* evidence that such payment has been made. In respect of Covered Bonds in NGCB form, the Fiscal Agent will arrange for a record of each payment so made to be entered *pro rata* in the records of Euroclear and Clearstream, Luxembourg.

Payments in respect of Registered Covered Bonds

Payments of principal, interest and any additional amounts pursuant to Condition 7 (*Payments*) of the Covered Bonds, if any, in respect of the Registered Covered Bonds when represented by a Global Registered Covered Bond will be made against presentation and surrender of the relevant Global Registered Covered Bond at the specified office of the Registrar.

Notices

So long as the Covered Bonds of any Series are represented by a Global Covered Bond, notices to holders of Covered Bonds may be given by delivery of the relevant notice to Euroclear, Clearstream, Luxembourg or any other relevant clearing system(s) for communication by them to entitled account holders in substitution for publication as required by the Conditions **provided that**, in the case of Covered Bonds listed with any listing authority(ies) or any stock exchange, the requirements (if any) of such listing authority(ies) or stock exchange(s) have been complied with.

Meetings

The holder of a Temporary Global Covered Bond, Permanent Global Covered Bond or Global Registered Covered Bond as the case may be, will be treated as being two persons for the purposes of any quorum requirements of a meeting of holders of Covered Bonds.

Cancellation

Cancellation of any Covered Bond surrendered for cancellation following its redemption will be effected by reduction in the principal amount of the relevant Temporary Global Covered Bond, Permanent Global Covered Bond or Global Registered Covered Bond as the case may be.

Issuer's Option

No drawing of Covered Bonds will be required under Condition 5(c) (*Optional Early Redemption (Call)*) in the event that the Issuer exercises any option relating to those Covered Bonds while all such Covered Bonds which are outstanding are represented by a Temporary Global Covered Bond, Permanent Global Covered Bond or Global Registered Covered Bond, as the case may be. In such event standard procedures of Euroclear, Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) or, as the case may be, such other relevant clearing system(s) shall operate to determine which interests in such Global Covered Bonds, are to be subject to such option.

Holder's Option

For so long as the Covered Bonds of any Series are represented by either a Temporary Global Covered Bond, a Permanent Global Covered Bond or Global Registered Covered Bond, as the case may be, the owner of a beneficial interest therein may exercise its option to redeem Covered Bonds under Condition 5(e) (*Optional Early Redemption (Put)*) of the Terms and Conditions of the Covered Bonds (where such put option is specified in the relevant Final

Terms or Pricing Supplement as being applicable) by depositing the redemption notice with any Agent, together with an authority to Euroclear, Clearstream, Luxembourg or any other relevant clearing system(s) to effect redemption (in accordance with its operating procedures and rules) of the portion of the Temporary Global Covered Bond, Permanent Global Covered Bond or Global Registered Covered Bond, as the case may be, which represents the Covered Bonds then being redeemed.

Conditions apply

Until the whole of a Temporary Global Covered Bond, Permanent Global Covered Bond or Global Registered Covered Bond, as the case may be, has been exchanged as provided therein or cancelled in accordance with the Fiscal Agency Agreement, the holder of the Global Covered Bond shall be subject to the terms and conditions of the Covered Bonds set out herein and, subject as therein otherwise provided, shall be entitled to the same rights and benefits thereunder as if the bearer were the holder of the definitive Covered Bonds and Coupons represented by the relevant part of the relevant Global Covered Bond.

Record Date

Each payment in respect of a Global Registered Covered Bond will be made to the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the "**Record Date**") where "**Clearing System Business Day**" means a day on which each clearing system for which the Global Registered Covered Bond is being held is open for business.

Business Day

Notwithstanding the definition of "Business Day" in Condition 7(5)(c)(i) of the Terms and Conditions of the Covered Bonds, while all the Covered Bonds are represented by a Permanent Global Covered Bond (or by a Permanent Global Covered Bond and/or a Temporary Global Covered Bond) or a Global Registered Covered Bond and the Permanent Global Covered Bond is (or the Permanent Global Covered Bond and/or the Temporary Global Covered Bond are), or the Global Registered Covered Bond is deposited with a depositary or a common depositary or a common safekeeper for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, "**Business Day**" means:

- (i) if the currency of payment is euro any day which is a TARGET2 Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Relevant Financial Centre; or
- (ii) if the currency of payment is not euro a day on which dealings in foreign currencies may be carried on in the Relevant Financial Centre of the currency of payment and in each other (if any) Relevant Financial Centre.

CLEARING AND SETTLEMENT

*The information set out below is subject to changes in or reinterpretation of the rules, regulations and procedures of Euroclear, Clearstream, Luxembourg or Euroclear Finland (the "**Clearing Systems**") from time to time. Investors wishing to use the facilities of any Clearing System must check the rules, regulations and procedures of the relevant Clearing System which are in effect at the relevant time.*

General

The Covered Bonds will be cleared through Euroclear and/or Clearstream, Luxembourg or Euroclear Finland.

Euroclear

The Euroclear System was created in 1968 to hold securities for participants in Euroclear ("**Euroclear Participants**") and to effect transactions between Euroclear Participants through simultaneous book entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfer of securities and cash. Euroclear Participants include banks (including central banks), securities brokers and dealers and other professional financial intermediaries. Indirect access to Euroclear is also available to other firms that clear through or maintain a custodial relationship with a Euroclear Participant, either directly or indirectly.

The Euroclear group reshaped its corporate structure in 2000 and 2001, transforming the Belgian company Euroclear Clearance System (Société Coopérative) into Euroclear Bank SA/NV, which now operates the Euroclear System. In 2005, a new Belgian holding company, Euroclear SA/NV, was created as the owner of all the shared technology and services supplied to each of the Euroclear CSDs and the ICSD. Euroclear SA/NV is owned by Euroclear plc, a company organised under the laws of England and Wales, which is owned by market participants using Euroclear services as members.

As an ICSD, Euroclear provides settlement and related securities services for cross-border transactions involving domestic and international bonds, equities, derivatives and investment funds, and offers clients a single access point to post-trade services in over 40 markets.

Distributions with respect to interests in Temporary Global Covered Bonds, Permanent Global Covered Bonds or Definitive Bearer Covered Bonds held through Euroclear will be credited to the Euroclear cash accounts of Euroclear Participants to the extent received by Euroclear's depository, in accordance with the Euroclear Terms and Conditions. Euroclear will take any other action permitted to be taken by a holder of any such Temporary Global Covered Bonds, Permanent Global Covered Bonds or Definitive Bearer Covered Bonds on behalf of a Euroclear Participant only in accordance with the Euroclear Terms and Conditions.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels.

Clearstream, Luxembourg

Clearstream Banking S.A. ("**Clearstream, Luxembourg**"), located at 42 Avenue JF Kennedy, L-1855 Luxembourg was incorporated in 1970 as a limited company under Luxembourg law. It is registered as a bank in Luxembourg, and as such is subject to regulation by the CSSF, which supervises Luxembourg banks.

Clearstream, Luxembourg holds securities for its customers and facilitates the clearance and settlement of securities transactions by book entry transfers between their accounts. Clearstream, Luxembourg provides various services, including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream, Luxembourg also deals with domestic securities markets in several countries through established depository and custodial relationships. Over 300,000 domestic and internationally traded bonds, equities and investment funds are currently deposited with Clearstream, Luxembourg. Currently, Clearstream, Luxembourg has approximately 2,500 customers in over 110 countries. Indirect access to Clearstream, Luxembourg is available to other institutions which clear through or maintain a custodial relationship with an account holder of Clearstream, Luxembourg.

The address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

Euroclear Finland

Euroclear Finland is a Finnish limited company which operates under the supervision of the Finnish Financial Supervisory Authority and is authorised as a central securities depository and clearinghouse.

Settlement of sale and purchase transactions in respect of Covered Bonds in Euroclear Finland will take place two Helsinki business days after the date of the relevant transaction. Covered Bonds in Euroclear Finland may be transferred between accountholders at Euroclear Finland in accordance with the procedures and regulations, for the time being, of Euroclear Finland. A transfer of Covered Bonds which are held in Euroclear Finland through Euroclear or Clearstream, Luxembourg is only possible by using an account operator linked to Euroclear Finland.

The address of Euroclear Finland Ltd is Euroclear Finland Ltd, PB 1110, 00101 Helsinki, Finland.

FORM OF FINAL TERMS

A pro forma Final Terms for use in connection with the Programme is set out below. This pro forma is subject to completion to set out the terms upon which each Tranche of Covered Bonds is to be issued.

IMPORTANT NOTICE

In accessing the attached final terms (the "Final Terms") you agree to be bound by the following terms and conditions.

The information contained in the Final Terms may be addressed to and/or targeted at persons who are residents of particular countries only as specified in the Final Terms and/or in the Base Prospectus (as defined in the Final Terms) and is not intended for use and should not be relied upon by any person outside those countries and/or to whom the offer contained in the Final Terms is not addressed. **Prior to relying on the information contained in the Final Terms, you must ascertain from the Final Terms and/or the Base Prospectus whether or not you are an intended addressee of the information contained therein.**

Neither the Final Terms nor the Base Prospectus constitutes an offer to sell or the solicitation of an offer to buy securities in the United States or in any other jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, exemption from registration or qualification under the securities law of any such jurisdiction.

The securities described in the Final Terms and the Base Prospectus have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") and may not be offered or sold directly or indirectly within the United States or to, or for the account or benefit of, U.S. persons or to persons within the United States of America (as such terms are defined in Regulation S under the Securities Act ("**Regulation S**")). The securities described in the Final Terms will only be offered in offshore transactions to non-U.S. persons in reliance upon Regulation S.

NORDEA MORTGAGE BANK PLC

Issue of
[Aggregate Nominal Amount of Tranche]
[Title of Covered Bonds]
Issued under the
€25,000,000,000 Covered Bond Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the conditions (the "**Conditions**") set forth in the base prospectus dated 1 November 2016 [and the base prospectus supplement[s] dated [•] which [together] constitute[s] a base prospectus] (the "**Base Prospectus**") for the purposes of the Prospectus Directive. This document constitutes the Final Terms of the Covered Bonds described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Covered Bonds is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. The Base Prospectus [and the base prospectus supplement[s]] and the Final Terms are available for viewing at the registered address of the Issuer and at www.ise.ie and copies may be obtained during normal business hours at the registered address of the Issuer.

[For the purposes of these Final Terms, the expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto) provided, however all references in this document to the "Prospectus Directive" in relation to any Member State of the European Economic Area refer to Directive 2003/71/EC (and amendments thereto) to the extent implemented in the relevant Member State and include any relevant implementing measures in the relevant Member State.]

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Final Terms.]

[These Covered Bonds are Finnish Covered Bonds. Holders of the Finnish Covered Bonds are entitled to the benefit of, and are bound by and are deemed to have notice of, the provisions of the deed of covenant dated 1 November 2016 executed by the Issuer constituting the Finnish Covered Bonds. *[This paragraph need only be included if the Final Terms relates to Finnish Covered Bonds.]*

1. Issuer: Nordea Mortgage Bank Plc
2. (i) Series Number: [•]
(ii) Tranche Number: [•]
(iii) Date on which the Covered Bonds become fungible: Not Applicable / The Covered Bonds shall be consolidated, form a single series and be interchangeable for trading purposes with the *[provide issue amount/ISIN/maturity date/issue date of earlier Tranches]* (the "**Original Covered Bonds**") on [the Issue Date/exchange of the Temporary Global Covered Bonds for interests in the Permanent Global Covered Bonds, as described in these Final Terms [which is expected to occur on or about [•]]]
3. Specified Currency: [•]
4. Aggregate Nominal Amount:
(i) Series: [•]
(ii) Tranche: [•]
5. Issue Price: [•] per cent. of the Tranche [plus accrued interest from *[insert date]* if applicable]
6. (i) Specified Denominations: [•]

[Where a tranche of Covered Bonds is issued in multiple denominations and Covered Bonds are not being issued in registered form, the following sample wording should be followed: So long as the Covered Bonds are represented by a Temporary Global Covered Bond or a Permanent Global Covered Bond and the relevant clearing systems so permit, the Covered Bonds will be tradeable only in the minimum authorised denomination of [EUR 100,000] and higher integral multiples of [EUR 1,000], notwithstanding that no definitive Covered Bonds will be issued with a denomination above [EUR 199,000].]

(ii) Calculation Amount: [•]

[If there is more than one Specified Denomination, insert the highest common factor of these Specified Denominations (note: there must be a common factor of two or more Specified Denominations).]
7. (i) Issue Date: [•]
(ii) Interest Commencement Date: [•]
8. (i) Maturity Date: [•] / Interest Payment Date falling in or nearest to [•] *(in the case of Floating Rate Covered Bonds)*
(ii) Extended Maturity Date: Applicable/Not Applicable

[If not applicable, delete the remaining sections of this subparagraph]

[The Extended Maturity Date is [[•]/Interest Payment Date falling in or nearest to [•] (*in the case of Floating Rate Covered Bonds*)].

[If applicable, complete relevant sections regarding interest, etc.]

- | | | |
|-----|-------------------|--|
| 9. | Interest Basis: | [•] per cent. Fixed Rate / [<i>insert period of time e.g. 3 months</i>] LIBOR/ EURIBOR/ BBSW/ BKBM/ CDOR/ CIBOR/ HIBOR/ JIBAR/ MOSPRIME/ NIBOR/ STIBOR/ TIBOR/ TIE/ TRLIBOR/ WIBOR ± [•] per cent. Floating Rate / Zero Coupon |
| 10. | Redemption: | Redemption at par, subject to any purchase and cancellation or early redemption |
| 11. | Put/Call Options: | Not Applicable / Investor Put / Issuer Call |
| 12. | Authorisation: | Not Applicable / The issuance of the Covered Bonds was authorised by a decision of [•] dated [•] |

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE TO MATURITY DATE

- | | | |
|-----|---|---|
| 13. | Fixed Rate Covered Bonds Provisions | Applicable/Not Applicable

<i>(If not applicable, delete the remaining sub paragraphs of this paragraph)</i> |
| | (i) Rate[(s)] of Interest: | [•] per cent. per annum payable [annually / semi-annually / quarterly / monthly] in arrear |
| | (ii) Interest Payment Date(s): | [•] in each year[, adjusted [for payment purposes only] in accordance with [<i>specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"</i>]/, not adjusted] |
| | (iii) Fixed Coupon Amount[(s)]: | [•] per Calculation Amount |
| | (iv) Broken Amount(s): | Not Applicable / <i>Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount[(s)]</i> |
| | (v) Day Count Fraction: | Actual/Actual (ICMA) / Actual/Actual (ISDA) / Actual/365 (Fixed) / Actual/365 (Sterling) / Actual/360 / 30/360 / 360/360 / Bond Basis / 30E/360 / Eurobond Basis / 30E/360 (ISDA) |
| | (vi) Determination Date(s): | [•] in each year

<i>[Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long and short first or last coupon]</i>

<i>(NB: This will need to be amended in the case of regular interest payment dates which are not of equal duration).</i>

<i>(NB: Only relevant where Day Count Fraction is Actual/Actual (ICMA)).</i> |
| 14. | Floating Rate Covered Bonds Provisions | Applicable/Not Applicable |

- (i) Specified Period(s)/Specified Interest Payment Dates: [•] in each year commencing on [•] up to and including [•]
- [No adjustments will be made to the Interest Amounts [except for the Broken Amount for the [first/last] Interest Payment Date on [•]]]
- (ii) Business Day Convention: Following Business Day Convention / Modified Following Business Day Convention / Modified Business Day Convention / Preceding Business Day Convention / FRN Convention / Floating Rate Convention / Eurodollar Convention / No Adjustment
- (iii) Manner in which the Rate(s) of Interest is/are to be determined: Screen Rate Determination
- (iv) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Agent): [•]
- (v) Screen Rate Determination: [•]
- Reference Rate: *[insert period of time e.g. 3 months]* LIBOR/ EURIBOR/ BBSW/ BKBW/ CDOR/ CIBOR/ HIBOR/ JIBAR/ MOSPRIME/ NIBOR/ STIBOR/ TIBOR/ TIE/ TRLIBOR/ WIBOR
- [The applicable Reference Rate for the first/last short/long Interest Period is [•]]
- Interest Determination Date(s): [•]
- Relevant Screen Page: [•]
- Relevant Time: As set out in Condition 4(2)(d) / [•]
- (vi) Linear Interpolation: Not Applicable / Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)
- (vii) Margin(s): [±][•] per cent. per annum
- (viii) Minimum Rate of Interest: [•] per cent. per annum / Not Applicable
- (ix) Maximum Rate of Interest: [•] per cent. per annum / Not Applicable
- (x) Day Count Fraction: Actual/Actual (ICMA) / Actual/Actual (ISDA) / Actual/365 (Fixed) / Actual/365 (Sterling) / Actual/360 / 30/360 / 360/360 / Bond Basis / 30E/360 / Eurobond Basis / 30E/360 (ISDA)

15. **Zero Coupon Covered Bonds Provisions**

Applicable/Not Applicable

(If not applicable, delete the remaining sub paragraphs of this paragraph)

- (i) [Amortisation/Accrual] Yield: [•] per cent. per annum
- (ii) Reference Price: [•] per cent. per annum
- (iii) Day Count Fraction: Actual/Actual (ICMA) / Actual/Actual (ISDA) /

Actual/365 (Fixed) / Actual/365 (Sterling) /
Actual/360 / 30/360 / 360/360 / Bond Basis / 30E/360
/ Eurobond Basis / 30E/360 (ISDA)

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE FROM THE MATURITY DATE TO THE EXTENDED MATURITY DATE

16.	Fixed Rate Covered Bonds Provisions	Applicable/Not Applicable
		<i>(If not applicable, delete the remaining sub paragraphs of this paragraph).</i>
(i)	Rate[(s)] of Interest:	[•] per cent. per annum payable [annually / semi-annually / quarterly / monthly] in arrear
(ii)	Interest Payment Date(s):	[•] / [•] in each year[, adjusted [for payment purposes only] in accordance with [<i>specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"</i>]/, not adjusted]
(iii)	Fixed Coupon Amount[(s)]:	[•] per Calculation Amount
(iv)	Broken Amount(s):	Not Applicable / <i>Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount[(s)]</i>
(v)	Day Count Fraction:	Actual/Actual (ICMA) / Actual/Actual (ISDA) / Actual/365 (Fixed) / Actual/365 (Sterling) / Actual/360 / 30/360 / 360/360 / Bond Basis / 30E/360 / Eurobond Basis / 30E/360 (ISDA)
(vi)	Determination Date(s):	[•] in each year
		<i>[Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long and short first or last coupon]</i>
		<i>(NB: This will need to be amended in the case of regular interest payment dates which are not of equal duration).</i>
		<i>(NB: Only relevant where Day Count Fraction is Actual/Actual (ICMA)).</i>
17.	Floating Rate Covered Bonds Provisions	Applicable/Not Applicable
(i)	Specified Period(s)/Specified Interest Payment Dates:	[•] in each year commencing on [•] up to and including [•] [No adjustments will be made to the Interest Amounts [except for the Broken Amount for the [first/last] Interest Payment Date on [•]]]
(ii)	Business Day Convention:	Following Business Day Convention / Modified Following Business Day Convention / Modified Business Day Convention / Preceding Business Day Convention / FRN Convention / Floating Rate Convention / Eurodollar Convention / No Adjustment

(iii)	Manner in which the Rate(s) of Interest is/are to be determined:	Screen Rate Determination
(iv)	Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Agent):	[•]
(v)	Screen Rate Determination:	[•]
	— Reference Rate:	<i>[insert period of time e.g. 3 months]</i> LIBOR/ EURIBOR/ BBSW/ BKBW/ CDOR/ CIBOR/ HIBOR/ JIBAR/ MOSPRIME/ NIBOR/ STIBOR/ TIBOR/ TIIE/ TRLIBOR/ WIBOR
	— Interest Determination Date(s):	[•]
	— Relevant Screen Page:	[•]
	— Relevant Time:	[As set out in Condition 4(b) / [•]]
(vi)	Margin(s):	[±][•] per cent. per annum
(vii)	Minimum Rate of Interest:	[•] per cent. per annum
(vii)	Maximum Rate of Interest:	[•] per cent. per annum
(ix)	Day Count Fraction:	Actual/Actual (ICMA) / Actual/Actual (ISDA) / Actual/365 (Fixed) / Actual/365 (Sterling) / Actual/360 / 30/360 / 360/360 / Bond Basis / 30E/360 / Eurobond Basis / 30E/360 (ISDA)

PROVISIONS RELATING TO REDEMPTION

18.	Call Option	Applicable/Not Applicable
(i)	Optional Redemption Date(s):	[•]
(ii)	Optional Redemption Amount(s):	[•] per Calculation Amount
(iii)	If redeemable in part:	
	(a) Minimum Redemption Amount:	[•] per Calculation Amount
	(b) Maximum Redemption Amount:	[•] per Calculation Amount
(iv)	Notice period:	[•]
19.	Put Option	Applicable/Not Applicable
		<i>(If not applicable, delete the remaining sub-paragraphs of this paragraph).</i>
(i)	Optional Redemption Date(s):	[•]
(ii)	Optional Redemption Amount(s) of each Covered Bond:	[•] per Calculation Amount
(iii)	Notice period:	[•]
20.	Final Redemption Amount	Par
21.	Early Redemption Amount	[•]

Early Redemption Amount(s) per Calculation
Amount payable on redemption for taxation reasons
or on event of default or other early redemption:

[Condition 5[(b)/(c)/(e)] of Covered Bonds applies]

GENERAL PROVISIONS APPLICABLE TO THE COVERED BONDS

22. Form of Covered Bonds:

[Bearer Covered Bonds]:

[Temporary Global Covered Bond exchangeable for a Permanent Global Covered Bond which is exchangeable for Definitive Covered Bonds on [•] days' notice/at any time/in the limited circumstances specified in the Permanent Global Covered Bond

[Temporary Global Covered Bond exchangeable for Definitive Covered Bonds on [•] days' notice.]

[Permanent Global Covered Bonds exchangeable for Definitive Covered Bonds on [•] days' notice/at any time/in the limited circumstances specified in the Permanent Global Covered Bonds.]

[Registered Covered Bonds: Individual Covered Bond Certificates / Global Registered Covered Bond [exchangeable for Individual Covered Bond Certificates on [•] days' notice/at any time/in the limited circumstances specified in the Global Registered Covered Bond]]

[Finnish Covered Bonds]:

[The Covered Bonds] are [Finnish Covered Bonds] in uncertificated and dematerialised book-entry form.]

(N.B. The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Covered Bonds in paragraph 6 includes language substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]." Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Covered Bonds which is to be represented on issue by a Temporary Global Covered Bond exchangeable for Definitive Covered Bonds)

23. [New Global Covered Bonds]/[New Safekeeping Structure]:

[Yes/No/Not Applicable]

24. Additional cities for the purposes of the definition of Relevant Financial Centre

Not Applicable / Give details

25. Talons for future Coupons to be attached to Definitive Covered Bonds (and dates on which such Talons mature):

Yes. The Talons mature on [•] / No

Signed on behalf of Nordea Mortgage Bank Plc:

By:

By:

Duly authorised

Date:

Duly authorised

Date:

PART B – OTHER INFORMATION

1. LISTING

Listing and admission to trading:

Application has been made to the [Irish Stock Exchange/London Stock Exchange] for the Covered Bonds to be admitted to the Official List and to trading on its regulated market with effect from [•]

[The Covered Bonds shall be consolidated, form a single series and be interchangeable for trading purposes with the Original Covered Bonds on [the Issue Date/exchange of the Temporary Global Covered Bonds for interests in the Permanent Global Covered Bonds, as described in these Final Terms [which is expected to occur on or about [•]]]

(Where documenting a fungible issue need to indicate that original securities are already admitted to trading.)

2. RATINGS

Ratings:

The tranche of Covered Bonds itself has not been assigned any ratings solicited by the Issuer / The tranche of Covered Bonds itself is expected to be rated:

Moody's Investors Service Limited: [•]

3. [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER

Save as discussed in "Subscription and Sale" in the Base Prospectus, so far as the Issuer is aware, no person involved in the offer of the Covered Bonds has an interest material to the offer / [•]

4. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

(i) Reasons for the offer:

The net proceeds of the issue of the Covered Bonds will be used for the general banking and other corporate purposes of Nordea Mortgage Bank Plc / *Other*

(ii) Estimated net proceeds:

[•]

(iii) Estimated total expenses in relation to admission to trading:

[•]

5. [Fixed Rate Covered Bonds only - YIELD

Indication of yield

[•] per cent.

As set out above, the yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

6. [Floating Rate Covered Bonds only - HISTORIC INTEREST RATES

Details of the historic Reference Rate can be obtained from [Reuters / [•]].]

7. [THIRD PARTY INFORMATION

[*Relevant third party information*] has been extracted from [*specify source*]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [*specify source*], no facts have been omitted which would render the reproduced inaccurate or misleading.]

8. DISTRIBUTION

If syndicated:

(i) Names of Managers and underwriting commitments: Not Applicable / *Give names and underwriting commitments*

(ii) Date of Subscription Agreement: [•]

(iii) Stabilising Manager(s) (if any): Not Applicable / *Give Name*

If non-syndicated, name of Dealer: Not Applicable / *Give Name*

[Total commission and concession:] [[•] per cent. Of the Aggregate Nominal Amount]

U.S. Selling Restriction: Regulation S Category 2

(In the case of Bearer Covered Bonds) - TEFRA D/TEFRA C/TEFRA Not Applicable

(In the case of Registered Covered Bonds/Finnish Covered Bonds) -TEFRA Not Applicable

9. OPERATIONAL INFORMATION

ISIN Code: [•]

Common Code: [•]

Intended to be held in a manner which would allow Eurosystem eligibility or global Registered Covered Bond to be held under NSS: Yes / No / Not Applicable (*in the case of Covered Bonds not issued in NGCB / NSS form*)

[Note that the designation "yes" means that the Covered Bonds are intended upon issue to be deposited with Euroclear or Clearstream, Luxembourg as common safekeeper [and registered in the name of a nominee of one of the ICSDs acting as common safekeeper] and does not necessarily mean that the Covered Bonds will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met.] *[include this text if "yes" selected in which case the Covered Bonds must be bearer Covered Bonds issued in NGCB form or registered Covered Bonds issued in NSS form]*

[Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Covered Bonds are capable of meeting them the Covered Bonds may then be deposited with Euroclear or Clearstream, Luxembourg as common safekeeper and registered in the name of a nominee of one of the ICSDs acting as common safekeeper. Note that this

does not necessarily mean that the Covered Bonds will then be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met.] *[this text may be appropriate to include if "no" is selected and the Covered Bonds are bearer Covered Bonds issued in NGCB form or registered Covered Bonds issued in NSS form]*

Clearing system(s) [and the relevant identification number(s), if applicable]: [Euroclear/Clearstream, Luxembourg/ Euroclear Finland Ltd, P.O. Box 1110, FI-00101, Helsinki]

[Euroclear Finland identification number: 1061446.0]

Delivery:

Delivery [against/free of] payment

Name(s) and address(es) of additional Paying Agent(s) (if any):

[•]

[Name and address of Finnish Issuing Agent:]

[only applicable to Finnish Covered Bonds]

FORM OF PRICING SUPPLEMENT

A pro forma Pricing Supplement for use in connection with Exempt Covered Bonds issued under the Programme is set out below. This pro forma is subject to completion and amendment to set out the terms upon which each Tranche of Exempt Covered Bonds is to be issued.

IMPORTANT NOTICE

In accessing the attached pricing supplement (the "Pricing Supplement") you agree to be bound by the following terms and conditions.

The information contained in the Pricing Supplement may be addressed to and/or targeted at persons who are residents of particular countries only as specified in the Pricing Supplement and/or in the Base Prospectus (as defined in the Pricing Supplement) and is not intended for use and should not be relied upon by any person outside those countries and/or to whom the offer contained in the Pricing Supplement is not addressed. **Prior to relying on the information contained in the Pricing Supplement, you must ascertain from the Pricing Supplement and/or the Base Prospectus whether or not you are an intended addressee of the information contained therein.**

Neither the Pricing Supplement nor the Base Prospectus constitutes an offer to sell or the solicitation of an offer to buy securities in the United States or in any other jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, exemption from registration or qualification under the securities law of any such jurisdiction.

The securities described in the Pricing Supplement and the Base Prospectus have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") and may not be offered or sold directly or indirectly within the United States or to, or for the account or benefit of, U.S. persons or to persons within the United States of America (as such terms are defined in Regulation S under the Securities Act ("**Regulation S**")). The securities described in the Pricing Supplement will only be offered in offshore transactions to non-U.S. persons in reliance upon Regulation S.

Pricing Supplement dated [•]

NO PROSPECTUS IS REQUIRED IN ACCORDANCE WITH DIRECTIVE 2003/71/EC AS AMENDED FOR THIS ISSUE OF COVERED BONDS.

NORDEA MORTGAGE BANK PLC

Issue of
[Aggregate Nominal Amount of Tranche]
[Title of Covered Bonds]

Issued under the
€25,000,000,000 Covered Bond Programme

PART A – CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the conditions (the "**Conditions**") set forth in the base prospectus dated 1 November 2016 [and the base prospectus supplement[s] dated [•] which [together] constitute[s] a base prospectus] (the "**Base Prospectus**"). This document constitutes the Pricing Supplement of the Covered Bonds described herein and must be read in conjunction with such Base Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Covered Bonds is only available on the basis of the combination of this Pricing Supplement and the Base Prospectus [as so supplemented]. The Base Prospectus [and the base prospectus supplement[s]] [is] [are] available for viewing during normal business hours at, and copies may be obtained from, the principal office of the Issuer at [address]]

[Include whichever of the following apply or specify as "Not Applicable". Italics denote guidance for completing this Pricing Supplement.]

[These Covered Bonds are Finnish Covered Bonds. Holders of the Finnish Covered Bonds are entitled to the benefit of, and are bound by and are deemed to have notice of, the provisions of the deed of covenant dated 1 November 2016 executed by the Issuer constituting the Finnish Covered Bonds. *[This paragraph need only be included if the Pricing Supplement relates to Finnish Covered Bonds.]*

1. Issuer: Nordea Mortgage Bank Plc
2. (i) Series Number: [•]
(ii) Tranche Number: [•]
(iii) Date on which the Covered Bonds become fungible: Not Applicable / The Covered Bonds shall be consolidated, form a single series and be interchangeable for trading purposes with the [provide issue amount/ISIN/maturity date/issue date of earlier Tranches] (the "**Original Covered Bonds**") on [the Issue Date/exchange of the Temporary Global Covered Bond for interests in the Permanent Global Covered Bond, as described in this Pricing Supplement [which is expected to occur on or about [•]]]
3. Specified Currency: [•]
4. Aggregate Nominal Amount:
(i) Series: [•]
(ii) Tranche: [•]
5. Issue Price: [•] per cent. of the Tranche [plus accrued interest from [insert date] (in the case of fungible issues only, if applicable)]
6. (i) Specified Denominations: [•]

[Where a tranche of Covered Bonds is issued in multiple denominations and Covered Bonds are not being issued in registered form, the following sample wording should be followed: So long as the Covered Bonds are represented by a Temporary Global Covered Bond or a Permanent Global Covered Bond and the relevant clearing systems so permit, the Covered Bonds will be tradeable only in the minimum authorised denomination of [EUR 100,000] and higher integral multiples of [EUR 1,000], notwithstanding that no definitive Covered Bonds will be issued with a denomination above [EUR 199,000].]
(ii) Calculation Amount: [•]

[If there is more than one Specified Denomination, insert the highest common factor of those Specified Denominations (note: there must be a common factor of two or more Specified Denominations)]
7. (i) Issue Date: [•]
(ii) Interest Commencement Date: [•]
8. (i) Maturity Date: [•] / Interest Payment Date falling in or nearest to [•] (in the case of Floating Rate Covered Bonds)
(ii) Extended Maturity Date: Applicable/Not Applicable

[If not applicable, delete the remaining sections of this subparagraph]

[The Extended Maturity Date is [[•]/Interest Payment Date falling in or nearest to [•] (in the case of Floating

Rate Covered Bonds].

[If applicable, complete relevant sections regarding interest, etc.]

- | | | |
|-----|---------------------------|--|
| 9. | Interest Basis: | [•] per cent. Fixed Rate / <i>[insert period of time e.g. 3 months]</i> LIBOR/ EURIBOR/ BBSW/ BKBM/ CDOR/ CIBOR/ HIBOR/ JIBAR/ MOSPRIME/ NIBOR/ STIBOR/ TIBOR/ TIE/ TRLIBOR/ WIBOR/ <i>Other</i> ± [•] per cent. Floating Rate / Zero Coupon |
| 10. | Redemption/Payment Basis: | Redemption at par, subject to any purchase and cancellation or early redemption |
| 11. | Put/Call Options: | Not Applicable / Investor Put / Issuer Call |
| 12. | Authorisation: | Not Applicable / The issuance of the Covered Bonds was authorised by a decision of [•] dated [•] |

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

- | | | |
|-------|--|---|
| 13. | Fixed Rate Covered Bonds Provisions | Applicable / Not Applicable

<i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i> |
| (i) | Rate[(s)] of Interest: | [•] per cent. per annum payable [annually / semi-annually / quarterly / monthly] in arrear |
| (ii) | Interest Payment Date(s): | [•] in each year[, adjusted [for payment purposes only] in accordance with <i>[specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"]</i> /, not adjusted] |
| (iii) | Fixed Coupon Amount[(s)]: | [•] per Calculation Amount |
| (iv) | Broken Amount(s): | <i>Not Applicable/Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount[(s)]</i> |
| (v) | Day Count Fraction: | Actual/Actual (ICMA) / Actual/Actual (ISDA) / Actual/365 (Fixed) / Actual/365 (Sterling) / Actual/360 / 30/360 / 360/360 / Bond Basis / 30E/360 / Eurobond Basis / 30E/360 (ISDA)

<i>(NB: Actual/Actual (ICMA) is normally only appropriate for Fixed Rate Covered Bonds denominated in euro)</i> |
| (vi) | Determination Date(s): | [•] in each year

<i>[Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long and short first or last coupon]</i>

<i>(NB: This will need to be amended in the case of regular interest payment dates which are not of equal duration).</i>

<i>(NB: Only relevant where Day Count Fraction is Actual/Actual (ICMA)).</i> |

14.	Floating Rate Covered Bonds Provisions	Applicable / Not Applicable
(i)	Specified Period(s)/Specified Interest Payment Dates:	[•] in each year commencing on [•] up to and including [•] [No adjustments will be made to the Interest Amounts [except for the Broken Amount for the [first/last] Interest Payment Date on [•]]]
(ii)	Business Day Convention:	Following Business Day Convention / Modified Following Business Day Convention / Modified Business Day Convention / Preceding Business Day Convention / FRN Convention / Floating Rate Convention / Eurodollar Convention / No Adjustment/ <i>Other</i>
(iii)	Manner in which the Rate(s) of Interest is/are to be determined:	Screen Rate Determination
(iv)	Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s):	Agent / [•]
(v)	Screen Rate Determination:	
	• Reference Rate:	[•] LIBOR/ EURIBOR/ BBSW/ BKBM/ CDOR/ CIBOR/ HIBOR/ JIBAR/ MOSPRIME/ NIBOR/ STIBOR/ TIBOR/ THIE/ TRLIBOR/ WIBOR/ <i>Other</i> [The applicable Reference Rate for the first/last short/long Interest Period is [•]]
	• Interest Determination Date(s):	[•]
	• Relevant Screen Page:	[•]
	• Relevant Time:	As set out in Condition 4(b) / [•]
(vi)	Linear Interpolation:	Not Applicable / Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (<i>specify for each short or long interest period</i>)
(vii)	Margin(s):	[±][•] per cent. per annum
(viii)	Minimum Rate of Interest:	[•] per cent. per annum / Not Applicable
(ix)	Maximum Rate of Interest:	[•] per cent. per annum / Not Applicable
(x)	Day Count Fraction:	Actual/Actual (ICMA) / Actual/Actual (ISDA) / Actual/365 (Fixed) / Actual/365 (Sterling) / Actual/360 / 30/360 / 360/360 / Bond Basis / 30E/360 / Eurobond Basis / 30E/360 (ISDA)/ <i>Other</i>
15.	Zero Coupon Covered Bonds Provisions	Applicable / Not Applicable
		(<i>If not applicable, delete the remaining sub paragraphs of this paragraph</i>)
(i)	[Amortisation/Accrual] Yield:	[•] per cent. per annum
(ii)	Reference Price:	[•] per cent. per annum

- | | | |
|-------|--|---|
| (iii) | Any other formula/basis of determining amount payable: | [•] |
| (iv) | Day Count Fraction: | Following Business Day Convention / Modified Following Business Day Convention / Modified Business Day Convention / Preceding Business Day Convention / FRN Convention / Floating Rate Convention / Eurodollar Convention / No Adjustment/ <i>Other</i> |

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE FROM THE MATURITY DATE TO THE EXTENDED MATURITY DATE

- | | | |
|-------|---|---|
| 16. | Fixed Rate Covered Bonds Provisions | Applicable/Not Applicable

<i>(If not applicable, delete the remaining sub paragraphs of this paragraph).</i> |
| (i) | Rate[(s)] of Interest: | [•] per cent. per annum payable [annually / semi-annually / quarterly / monthly/ <i>Other</i>] in arrear |
| (ii) | Interest Payment Date(s): | [•] / [•] in each year[, adjusted [for payment purposes only] in accordance with [<i>specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"</i>]/, not adjusted] |
| (iii) | Fixed Coupon Amount[(s)]: | [•] per Calculation Amount |
| (iv) | Broken Amount(s): | Not Applicable / <i>Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount[(s)]</i> |
| (v) | Day Count Fraction: | Actual/Actual (ICMA) / Actual/Actual (ISDA) / Actual/365 (Fixed) / Actual/365 (Sterling) / Actual/360 / 30/360 / 360/360 / Bond Basis / 30E/360 / Eurobond Basis / 30E/360 (ISDA)/ <i>Other</i> |
| (vi) | Determination Date(s): | [•] in each year

<i>[Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long and short first or last coupon]</i>

<i>(NB: This will need to be amended in the case of regular interest payment dates which are not of equal duration).</i>

<i>(NB: Only relevant where Day Count Fraction is Actual/Actual (ICMA)).</i> |
| 17. | Floating Rate Covered Bonds Provisions | Applicable/Not Applicable |
| (i) | Specified Period(s)/Specified Interest Payment Dates: | [•] / [•] in each year commencing on [•] up to and including [•]

[No adjustments will be made to the Interest Amounts [except for the Broken Amount for the [first/last] Interest Payment Date on [•]]] |
| (ii) | Business Day Convention: | Following Business Day Convention / Modified Following Business Day Convention / Modified Business Day Convention / Preceding Business Day Convention / FRN Convention / Floating Rate Convention / Eurodollar Convention / No Adjustment / <i>Other</i> |

(iii)	Manner in which the Rate(s) of Interest is/are to be determined:	Screen Rate Determination
(iv)	Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Agent):	[•]
(v)	Screen Rate Determination:	[•]
	— Reference Rate:	[•] LIBOR/ EURIBOR/ BBSW/ BKBM/ CDOR/ CIBOR/ HIBOR/ JIBAR/ MOSPRIME/ NIBOR/ STIBOR/ TIBOR/ TIEE/ TRLIBOR/ WIBOR/ <i>Other</i> [The applicable reference rate for the first short/long Interest Period is [•]]
	— Interest Determination Date(s):	[•]
	— Relevant Screen Page:	[•]
	— Relevant Time:	As set out in Condition 4(b) / [•]
(vii)	Margin(s):	[±][•] per cent. per annum
(viii)	Minimum Rate of Interest:	[•] per cent. per annum
(ix)	Maximum Rate of Interest:	[•] per cent. per annum
(x)	Day Count Fraction:	Actual/Actual (ICMA) / Actual/Actual (ISDA) / Actual/365 (Fixed) / Actual/365 (Sterling) / Actual/360 / 30/360 / 360/360 / Bond Basis / 30E/360 / Eurobond Basis / 30E/360 (ISDA)/ <i>Other</i>

PROVISIONS RELATING TO REDEMPTION

18.	Call Option	Applicable / Not Applicable <i>(If not applicable, delete the remaining sub paragraphs of this paragraph)</i>
	(i) Optional Redemption Date(s):	[•]
	(ii) Optional Redemption Amount(s):	[•] per Calculation Amount
	(iii) If redeemable in part:	
	(a) Minimum Redemption Amount:	[•] per Calculation Amount
	(b) Maximum Redemption Amount:	[•] per Calculation Amount
	(iv) Notice period:	[•]
19.	Put Option	Applicable / Not Applicable <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
	(i) Optional Redemption Date(s):	[•]

- (ii) Optional Redemption Amount(s) of each Covered Bond and method, if any, of calculation of such amount(s): [•] per Calculation Amount
- (iii) Notice period: [•]
20. **Final Redemption Amount** [Par/[•]] per Calculation Amount
21. **Early Redemption Amount** [•]
- Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption: Condition 5[(b)/(c)/(e)] applies

GENERAL PROVISIONS APPLICABLE TO THE COVERED BONDS

22. Form of Covered Bonds: [Bearer Covered Bonds]:
- [Temporary Global Covered Bond exchangeable for a Permanent Global Covered Bond which is exchangeable for Definitive Covered Bonds on [•] days' notice/at any time/in the limited circumstances specified in the Permanent Global [Covered Bond]
- [Temporary Global Covered Bond exchangeable for Definitive Covered Bonds on [•] days' notice.]
- [Permanent Global Covered Bond exchangeable for Definitive Covered Bonds on [•] days' notice/at any time/in the limited circumstances specified in the Permanent Global [Covered Bonds.]
- [Registered Covered Bonds: Individual Covered Bond Certificates / Global Registered Covered Bond [exchangeable for Individual Covered Bond Certificates on [•] days' notice/at any time/in the limited circumstances specified in the Global Registered Covered Bond]
- [Finnish Covered Bonds]:
- [The Covered Bonds are Finnish Covered Bonds in uncertificated and dematerialised book-entry form.]
- (N.B. The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Covered Bonds in paragraph 6 includes language substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]." Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Covered Bonds which is to be represented on issue by a Temporary Global Covered Bond exchangeable for Definitive Covered Bonds)*
23. [New Global Covered Bonds / New Safekeeping Structure]: [Yes/No/Not Applicable]
24. Additional cities for the purposes of the Not Applicable/ Give details

definition of Relevant Financial Centre:

- | | | |
|-----|---|--------------------------------------|
| 25. | Talons for future Coupons to be attached to Definitive Covered Bonds (and dates on which such Talons mature): | Yes. The Talons mature on [•] / No |
| 26. | Other terms and conditions: | Not Applicable / <i>Give details</i> |

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

SIGNATURE

Signed on behalf of Nordea Mortgage Bank Plc:

By:

By:

Duly authorised

Duly authorised

Date:

Date:

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

None / Application has been made to [•] for the Covered Bonds to be admitted to trading on [•] with effect from [•] / *Other*

[The Covered Bonds shall be consolidated, form a single series and be interchangeable for trading purposes with the Original Covered Bonds on [the Issue Date/exchange of the Temporary Global Covered Bonds for interests in the Permanent Global Covered Bonds, as described in these Final Terms [which is expected to occur on or about [•]]]

(Where documenting a fungible issue need to indicate that original securities are already admitted to trading.)

2. RATINGS

The tranche of Covered Bonds itself has not been assigned any ratings solicited by the Issuer / The tranche of Covered Bonds itself is expected to be rated / The tranche of Covered Bonds itself has been rated:

[Moody's Investors Service Limited: [•]]

3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER

Save as discussed in "*Subscription and Sale*" in the Base Prospectus, so far as the Issuer is aware, no person involved in the offer of the Covered Bonds has an interest material to the offer / [•]

4. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

Reasons for the offer: The net proceeds of the issue of the Covered Bonds will be used for the general banking and other corporate purposes of Nordea Mortgage Bank Plc/ *Other*

Estimated net proceeds: [•]

Estimated total expenses in relation to admission to trading: [•]

5. [Fixed Rate Covered Bonds only - YIELD

Indication of yield: [•] per cent.

As set out above, the yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

6. [Floating Rate Covered Bonds only - HISTORIC INTEREST RATES

Details of the historic Reference Rate can be obtained from [Reuters / [•]].]

7. [THIRD PARTY INFORMATION

[Relevant third party information] has been extracted from [specify source]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [specify source], no facts have been omitted which would render the reproduced inaccurate or misleading.]

8. **DISTRIBUTION**

If syndicated:

(i) Names of Managers and underwriting commitments: Not Applicable / *Give names and underwriting commitments*

(ii) Date of Subscription Agreement: [•]

(iii) Stabilising Manager(s) (if any): Not Applicable / *Give Name*

If non-syndicated, name of Dealer: Not Applicable / *Give Name*

[Total commission and concession:] [[•] per cent. Of the Aggregate Nominal Amount]

U.S. Selling Restriction: Regulation S Category 2

(In the case of Bearer Covered Bonds) - TEFRA D/TEFRA C/TEFRA Not Applicable

(In the case of Registered Covered Bonds/Finnish Covered Bonds) -TEFRA Not Applicable

Other Selling Restrictions: [•]/Not Applicable

9. **OPERATIONAL INFORMATION**

ISIN Code: [•]

Common Code: [•]

Intended to be held in a manner which would allow Eurosystem eligibility: Yes / No / Not Applicable (*in the case of Covered Bonds not issued in NGCB / NSS form*)

[Note that the designation "yes" means that the Covered Bonds are intended upon issue to be deposited with Euroclear or Clearstream, Luxembourg as common safekeeper [and registered in the name of a nominee of one of the ICSDs acting as common safekeeper] and does not necessarily mean that the Covered Bonds will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met.] *[include this text if "yes" selected in which case the Covered Bonds must be bearer Covered Bonds issued in NGCB form or registered Covered Bonds issued in NSS form]*

[Whilst the designation is specified as "no" at the date of this Pricing Supplement, should the Eurosystem eligibility criteria be amended in the future such that the Covered Bonds are capable of meeting them the Covered Bonds may then be deposited with Euroclear or Clearstream, Luxembourg as common safekeeper and registered in the name of a nominee of one of the ICSDs acting as common safekeeper. Note that this does not necessarily mean that the Covered Bonds will

then be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met.] *[this text may be appropriate to include if "no" is selected and the Covered Bonds are bearer Covered Bonds issued in NGCB form or registered Covered Bonds issued in NSS form]*

Clearing system(s) [and identification number, if applicable]:

Euroclear / Clearstream, Luxembourg / Euroclear Finland Ltd, P.O. Box 1110, FI- 00101, Helsinki (Euroclear Finland identification number: 1061446.0)

Delivery:

Delivery [against/free of] payment

Name(s) and address(es) of additional Paying Agent(s) (if any):

Not Applicable / *Give name and address*

[Name and address of Finnish Issuing Agent:]

[only applicable to Finnish Covered Bonds]

TERMS AND CONDITIONS OF THE COVERED BONDS

The following are the Terms and Conditions of the Covered Bonds which as completed by the relevant Final Terms or (in the case of Exempt Covered Bonds only) as completed, amended and/or replaced by the relevant Pricing Supplement, will be applicable to each Series of Covered Bonds:

The Covered Bonds are issued in accordance with a fiscal agency agreement (as amended and/or restated and/or replaced from time to time, the "**Fiscal Agency Agreement**") dated 1 November 2016 and made between Nordea Mortgage Bank Plc (Sw. *Nordea Hypoteksbank Abp*, Fi. *Nordea Kiinnitysluottopankki Oyj*) (the "**Issuer**"), Citibank N.A., London Branch in its capacity as fiscal agent (the "**Fiscal Agent**", which expression shall include any successor to Citibank N.A., London Branch in its capacity as such), and Citigroup Global Markets Deutschland AG as registrar (the "**Registrar**" in relation to any Series of Covered Bonds except Finnish Covered Bonds, which expression shall include any successor to Citigroup Global Markets Deutschland AG in its capacity as such) and certain financial institutions named therein in their capacity as paying agents (the "**Paying Agents**", which expression shall include the Fiscal Agent and any substitute or additional paying agents appointed in accordance with the Fiscal Agency Agreement) and Nordea Bank Finland Plc in its capacity as Finnish issuing agent for Finnish Covered Bonds (the "**Finnish Issuing Agent**"). The Covered Bonds have the benefit of a deed of covenant (the "**Deed of Covenant**") dated 1 November 2016 (as amended and/or restated and/or replaced from time to time), executed by the Issuer in relation to the Covered Bonds. Copies of the Fiscal Agency Agreement and the Deed of Covenant are available for inspection at the specified office of each of the Paying Agents and the Registrar. All persons from time to time entitled to the benefit of obligations under any Covered Bonds shall be deemed to have notice of and to be bound by all of the provisions of the Fiscal Agency Agreement and the Deed of Covenant insofar as they relate to the relevant Covered Bonds.

References herein to "**Exempt Covered Bonds**" are to Covered Bonds for which no prospectus is required to be published under Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the relevant Member State (for the purposes of these Terms and Conditions, the "**Prospectus Directive**").

The Covered Bonds are issued in series (each a "**Series**") made up of one or more Tranches, and each Series will be the subject of a final terms (each a "**Final Terms**") or, in the case of Exempt Covered Bonds, a pricing supplement (the "**Pricing Supplement**") which, in either case, completes and (in the case of Exempt Covered Bonds only) completes, amends and/or replaces these Terms and Conditions (the "**Conditions**").

Covered Bonds may be settled through the Finnish Central Securities Depository, Euroclear Finland Ltd (the "**Finnish Covered Bonds**" and "**Euroclear Finland**" respectively).

The registrar in respect of any Series of Finnish Covered Bonds will be a duly authorised central securities depository under the Finnish Act on the Book-Entry Securities System and Clearing Activity (*Laki arvo-osuusjärjestelmästä ja selvitystoiminnasta* 749/2012), as amended, expected to be Euroclear Finland (the "**Finnish Registrar**").

The Finnish Covered Bonds will be registered in uncertificated and dematerialised book-entry form with Euroclear Finland. Finnish Covered Bonds registered in Euroclear Finland are negotiable instruments and not subject to any restrictions on free negotiability under Finnish law.

As the Finnish Covered Bonds will be in uncertificated and dematerialised book-entry form, the Terms and Conditions of the Finnish Covered Bonds shall be deemed to be incorporated by reference in, and to form part of, the Deed of Covenant by which the Finnish Covered Bonds are constituted.

As the Finnish Covered Bonds will be registered on behalf of the Holder on a securities account pursuant to the Finnish Act on the Book-Entry Securities System and Clearing Activity (*Laki arvo-osuusjärjestelmästä ja selvitystoiminnasta* 749/2012), as amended, and the Finnish Securities Accounts Act (827/1991), no physical securities will be issued. A request for a registration measure regarding Finnish Covered Bonds shall be addressed to the account operator (the "**Account Operator**") pursuant to the Finnish Act on the Book-Entry Securities System and Clearing Activity (*Laki arvo-osuusjärjestelmästä ja selvitystoiminnasta* 749/2012), as amended, and the regulations of Euroclear Finland.

References in these Conditions to Covered Bonds are to Covered Bonds of the relevant Series and any references to Coupons as defined below, are to Coupons relating to Covered Bonds of the relevant Series. References to "**Exempt Covered Bonds**" are to Covered Bonds for which no prospectus is required to be published under the Prospectus Directive.

1. Form and Denomination

(a) *Form*

Covered Bonds, other than Finnish Covered Bonds, are issued in bearer form or registered form, as specified in the relevant Final Terms or Pricing Supplement and are serially numbered.

The Finnish Covered Bonds are issued in uncertificated and dematerialised book-entry form in accordance with the Finnish Act on the Book-Entry Securities System and Clearing Activity (*Laki arvo-osuusjärjestelmästä ja selvitystoiminnasta* 749/2012), as amended.

(b) *Form of Bearer Covered Bonds*

Covered Bonds issued in bearer form ("**Bearer Covered Bonds**") will be represented upon issue by a temporary global Covered Bond (a "**Temporary Global Covered Bond**") in substantially the form (subject to amendment and completion) scheduled to the Fiscal Agency Agreement. On or after the date which is forty days after the completion of the distribution of the Covered Bonds (the "**Exchange Date**") of the relevant Series and provided certification as to the beneficial ownership thereof as required by U.S. Treasury regulations (substantially in the form set out in the Temporary Global Covered Bond) has been received, interests in the Temporary Global Covered Bond may be exchanged for:

- (i) interests in a permanent global Covered Bond (a "**Permanent Global Covered Bond**") representing the Covered Bonds of that Series and in substantially the form (subject to amendment and completion) scheduled to the Fiscal Agency Agreement; or
- (ii) if so specified in the relevant Final Terms or Pricing Supplement, definitive Covered Bonds ("**Definitive Covered Bonds**") serially numbered and in substantially the form (subject to amendment and completion) scheduled to the Fiscal Agency Agreement.

If any date on which a payment of interest is due on the Covered Bonds of a Series occurs whilst any of the Covered Bonds of that Series are represented by the Temporary Global Covered Bond, the related interest payment will be made on the Temporary Global Covered Bond only to the extent that certification as to the beneficial ownership thereof as required by U.S. Treasury regulations (in the form set out in the Temporary Global Covered Bond) has been received by Euroclear Bank S.A./N.V ("**Euroclear**") or Clearstream Banking S.A. ("**Clearstream, Luxembourg**") or by any other clearing system to which Covered Bonds or any interest therein may from time to time be credited. Payments of principal or interest (if any) on a Permanent Global Covered Bond will be made through Euroclear and Clearstream, Luxembourg without any requirement for certification.

Interests in the Permanent Global Covered Bond will, unless the contrary is specified in the relevant Pricing Supplement, be exchangeable at the cost and expense of the Issuer, in whole (but not in part), at the option of the Holder of such Permanent Global Covered Bond for Definitive Covered Bonds if Euroclear or Clearstream, Luxembourg or any other relevant clearing system(s) is closed for business for a continuous period of 14 days (other than by reason of public holidays) or announces an intention to cease business permanently or does in fact do so. Whenever the Permanent Global Covered Bond is to be exchanged for Definitive Covered Bonds, the Issuer shall procure the prompt delivery (free of charge to the Holder) of such Definitive Covered Bonds, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms or Pricing Supplement), in an aggregate principal amount equal to the principal amount of the Permanent Global Covered Bond to the Holder of the Permanent Global Covered Bond against the surrender of the Permanent Global Covered Bond to or to the order of the Fiscal Agent within 30 days of the Holder requesting such exchange. If default is made by the Issuer in the required delivery of Definitive Covered Bonds and such default is continuing at 6.00 p.m. (London time) on the thirtieth day after the day on which the relevant notice period expires, such Permanent Global Covered Bond will become void in accordance with its terms but without prejudice to the rights of the Account Holders (as defined in the Deed of Covenant) with Euroclear and Clearstream, Luxembourg in relation thereto under the Deed of Covenant.

Interest bearing Definitive Covered Bonds will, if so specified in the relevant Final Terms or Pricing Supplement, have attached thereto at the time of their initial delivery coupons ("**Coupons**"), presentation of which will be a prerequisite to the payment of interest in certain circumstances specified below **provided that** interest bearing Definitive Covered Bonds, if so specified in the relevant Final Terms or Pricing Supplement, have attached thereto at the time of initial delivery Coupons and one Talon for further Coupons (a "**Talon**", together with the Coupons in such case and where the context so permits, the "**Coupons**") entitling the Holder thereof to further Coupons and a further Talon.

(c) ***Form of Registered Covered Bonds***

Covered Bonds issued in registered form ("**Registered Covered Bonds**") will be in substantially the form (subject to amendment and completion) scheduled to the Fiscal Agency Agreement. Each Tranche of registered Covered Bonds will be in the form of either individual Covered Bond Certificates ("**Individual Covered Bond Certificates**") or a global registered Covered Bond (a "**Global Registered Covered Bond**"), in each case as specified in the relevant Final Terms or Pricing Supplement. Global Registered Covered Bonds may be exchangeable for Individual Covered Bond Certificates in accordance with its terms. Registered Covered Bonds will not be exchangeable for Bearer Covered Bonds.

(d) ***Form of Finnish Covered Bonds***

The Finnish Covered Bonds shall be regarded as Registered Covered Bonds for the purposes of these Conditions save to the extent these Conditions are inconsistent with Finnish laws, regulations and operating procedures applicable to and/or issued by Euroclear Finland for the time being (the "**Euroclear Finland Rules**"). No physical Finnish Covered Bonds or certificates will be issued in respect of the Finnish Covered Bonds and the provisions in these Conditions relating to presentation, surrendering or replacement of such physical Finnish Covered Bonds or certificates shall not apply to the Finnish Covered Bonds.

In relation to Finnish Covered Bonds, each Holder agrees and gives consent to Euroclear Finland to provide to the Finnish Issuing Agent, upon request, information registered with Euroclear Finland relating to the Finnish Covered Bonds and the Holders of the Finnish Covered Bonds in order that the Finnish Issuing Agent may provide any relevant Finnish authorities, including the Finnish Financial Supervisory Authority (*Finanssivalvonta*) and the Finnish tax authorities, with any information required under applicable Finnish laws. Such information shall include, but not be limited to, the identity of the registered holder of the Finnish Covered Bonds, the residency of the registered holder of the Finnish Covered Bonds, the number of Finnish Covered Bonds registered with the relevant holder, the address of the relevant holder, the account operator in respect of the relevant Euroclear Finland account (*Tilinhoitaja*) and whether or not the Finnish Covered Bonds are registered in the name of a nominee and the identity of any such nominee.

(e) ***Denomination of Bearer Covered Bonds***

Bearer Covered Bonds are in the denomination or denominations (each of which denomination is integrally divisible by each smaller denomination) specified in the Final Terms or Pricing Supplement. Bearer Covered Bonds of one denomination may not be exchanged for Bearer Covered Bonds of any other denomination.

(f) ***Denomination of Registered Covered Bonds***

Registered Covered Bonds are in the denomination or denominations (each of which denomination is integrally divisible by each smaller denomination) specified in the Final Terms or Pricing Supplement. Registered Covered Bonds of one denomination may not be exchanged for Registered Covered Bonds of any other denomination.

(g) ***Denomination of Finnish Covered Bonds***

Finnish Covered Bonds are in the denomination or denominations (each of which denomination is integrally divisible by each smaller denomination) specified in the Final Terms or Pricing Supplement. Finnish Covered Bonds of one denomination may not be exchanged for Finnish Covered Bonds of any other denomination.

(h) ***Currency of Covered Bonds***

Covered Bonds may be denominated in any currency subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

For the purposes of these Conditions, references to Covered Bonds shall, as the context may require, be deemed to be Temporary Global Covered Bonds, Permanent Global Covered Bonds, Definitive Covered Bonds, Registered Covered Bonds, or Finnish Covered Bonds, as the case may be.

2. **Title**

(a) ***Title to Bearer Covered Bonds, Registered Covered Bond and Finnish Covered Bonds***

Title to the Bearer Covered Bonds and Coupons passes by delivery. References herein to the "**Covered Bond Holders**" or "**Holders**" of Bearer Covered Bonds or Coupons signify the bearers of such Bearer Covered Bonds or such Coupons.

Title to the Registered Covered Bonds passes by registration in the register which is kept by the Registrar. References herein to the "**Covered Bond Holders**" or "**Holders**" of Registered Covered Bonds signify the persons in whose names such Covered Bonds are so registered.

Title to the Finnish Covered Bonds shall pass by registration in the computerised register consisting of accounts for the holders of financial instruments registered pursuant to the Finnish Act on the Book-Entry Securities System and Clearing Activity (*Laki arvo-osuusjärjestelmästä ja selvitystoiminnasta* 749/2012), as amended other Finnish laws, regulations and operating procedures applicable to and/or issued by Euroclear Finland from time to time (the "**Euroclear Finland Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the Holder (as defined below) of any Finnish Covered Bond shall be deemed to be and may be treated as its absolute owner for all purposes, whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it and no person shall be liable for so treating the Holder. References herein to the "**Covered Bond Holders**" or "**Holders**" of Finnish Covered Bonds signify the persons in whose names such Covered Bonds are so registered.

The Holder of any Covered Bond or Coupon will (except as otherwise required by applicable law or regulatory requirement) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest thereof or therein, any writing thereon, or any theft or loss thereof) and no person shall be liable for so treating such Holder.

Where a nominee in accordance with the Finnish Act on the Book-Entry Securities System and Clearing Activity (*Laki arvo-osuusjärjestelmästä ja selvitystoiminnasta* 749/2012), as amended is so evidenced it shall be treated by the Issuer as the Holder of the relevant Finnish Covered Bonds.

(b) ***Transfer of Registered Covered Bonds and Finnish Covered Bonds***

A Registered Covered Bond may, upon the terms and subject to the Conditions set forth in the Fiscal Agency Agreement, be transferred in whole or in part only (**provided that** such part is, or is an integral multiple of, the minimum denomination specified in the relevant Final Terms or Pricing Supplement) upon the surrender of the Registered Covered Bond to be transferred, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar. A new Registered Covered Bond will be issued to the transferee and, in the case of a transfer of part only of a Registered Covered Bond, a new Registered Covered Bond in respect of the balance not transferred will be issued to the transferor.

Each new Registered Covered Bond to be issued upon the transfer of Registered Covered Bonds will, upon the effective receipt of such form of transfer by the Registrar at its specified office, be available for delivery at the specified office of the Registrar. For these purposes, a form of transfer received by the Registrar during the period of fifteen London Banking Days, ending on the due date for any payment on the relevant Registered Covered Bonds shall be deemed not to be effectively received by the Registrar until the day following the due date for such payment.

The issue of new Registered Covered Bonds on transfer will be effected without charge by or on behalf of the Issuer or the Registrar, but upon payment by the applicant of (or the giving by the applicant of

such indemnity as the Registrar may require in respect of) any tax or other governmental charges which may be imposed in relation thereto.

One or more Finnish Covered Bonds may be transferred in accordance with Euroclear Finland Rules.

Exchange and transfer of Finnish Covered Bonds on registration, transfer, partial redemption or exercise of a put or a call option shall be effected without charge by or on behalf of the Issuer or the Finnish Issuing Agent, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Finnish Issuing Agent may require).

No Holder may require the transfer of a Finnish Covered Bond to be registered during any closed period pursuant to the then applicable Euroclear Finland Rules.

All transfers of Finnish Covered Bonds are subject to any cut-off dates applicable to such Finnish Covered Bonds and are subject to any other rules and procedures for the time being of Euroclear Finland. Euroclear Finland's rules and regulations may be downloaded from its website: <http://www.ncsd.eu>.

In these Terms and Conditions in relation to Finnish Covered Bonds only, "**Covered Bond Holder**" or "**Holder**" means, as the context requires, the person in whose name a Finnish Covered Bond is registered in the Euroclear Finland Register and shall also include any person duly authorised to act as a nominee and registered as a holder of the Finnish Covered Bonds.

3. Status

The Covered Bonds of each Series constitute unsubordinated obligations of the Issuer and rank *pari passu* without any preference among themselves. The Covered Bonds are obligations issued in accordance with the Finnish Covered Bond Act (*Laki kiinnitysluottopankkitoiminnasta* 688/2010), as amended (the "**CBA**") and rank *pari passu* among themselves and with Derivative transactions and Bankruptcy liquidity loans in respect of the statutory security in accordance with the CBA. To the extent that claims in relation to the Covered Bonds are not met out of the assets of the Issuer that are covered in accordance with the CBA, the residual claims will rank *pari passu* with the unsecured and unsubordinated obligations of the Issuer.

For the purposes of this Condition 3 (*Status*):

"**Derivative transactions**" means derivative transactions entered into by the Issuer to hedge against risks relating to Covered Bonds or their underlying collateral and recorded in the register of Covered Bonds; and

"**Bankruptcy liquidity loans**" means loans made by the bankruptcy administrator of the Issuer to secure liquidity or take out liquidity credit in accordance with Section 26 of the CBA and recorded in the register of Covered Bonds.

4. Interest

Covered Bonds may be interest bearing or non-interest bearing, as specified in the relevant Final Terms or Pricing Supplement. In the case of non-interest bearing Covered Bonds, a reference price and yield will, unless otherwise agreed, be specified in the relevant Final Terms or Pricing Supplement. The Final Terms or Pricing Supplement in relation to each Series of interest bearing Covered Bonds shall specify which one of Conditions 4(a) (*Interest—Fixed Rate*), 4(b) (*Interest—Floating Rate*) or 4(c) (*Interest—Other Rates*) shall be applicable **provided that** Condition 4(d) (*Interest—Supplemental Provision*) will be applicable to each Series of interest bearing Covered Bonds as specified therein, and **provided further that** Condition 4(f) (*Interest Payments up to the Extended Maturity Date*) will be applicable to each series of interest bearing and non-interest bearing Covered Bonds to which Condition 5(j) (*Extension of maturity up to Extended Maturity Date*) is specified as being applicable in the relevant Final Terms or Pricing Supplement, save, in each case, to the extent inconsistent with the relevant Pricing Supplement.

(a) *Interest—Fixed Rate Covered Bonds Provisions*

This Condition 4(a) is applicable to the Covered Bonds only if the Fixed Rate Covered Bonds Provisions are specified in the relevant Final Terms or Pricing Supplement as being applicable. Each Covered Bond to which this Condition 4(a) is applicable shall bear interest on its outstanding nominal amount from and including their date of issue to, but excluding the date of final maturity thereof (each date as specified in the relevant Final

Terms or Pricing Supplement) at the rate or rates per annum specified in the relevant Final Terms or Pricing Supplement. Interest will be payable in arrear on such dates as are specified in the relevant Final Terms or Pricing Supplement and on the date of final maturity thereof. The amount of interest payable in respect of each Covered Bond for any period for which a Fixed Coupon Amount is not specified in the applicable Pricing Supplement shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figures by a fraction equal to the Specified Denomination of such Covered Bond divided by the Calculation Amount. For the purposes of this Condition 4, a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent. Interest may also be calculated on such other basis as may be specified in the relevant Pricing Supplement.

(b) ***Interest—Floating Rate Covered Bonds Provisions***

This Condition 4(b) is applicable to Covered Bonds only if the Floating Rate Covered Bonds Provisions are specified in the relevant Final Terms or Pricing Supplement as being applicable. Covered Bonds in relation to which this Condition 4(b) is applicable shall bear interest on its outstanding nominal amount at the rates per annum determined in accordance with this Condition 4(b).

Covered Bonds shall bear interest from and including their date of issue, to, but excluding the date of final maturity thereof (each date as specified in the relevant Final Terms or Pricing Supplement). Interest will be payable on each date (an "**Interest Payment Date**") which falls in such period of months or any other period as may be specified in the relevant Final Terms or Pricing Supplement after such date of issue or, as the case may be, after the preceding Interest Payment Date. If any Interest Payment Date would otherwise fall on a date which is not a Business Day (as defined in Condition 7 (*Payments*)), it shall be postponed to the next Business Day unless it would thereby fall into the next calendar month, in which event it shall be brought forward to the preceding Business Day unless it is specified in the relevant Final Terms or Pricing Supplement that if any Interest Payment Date would otherwise fall on the date which is not a Business Day, it shall be postponed to the next Business Day. If such date of issue or any succeeding Interest Payment Date falls on the last Business Day of the month, each subsequent Interest Payment Date shall be the last Business Day of the relevant month. Each period beginning on (and including) such date of issue and ending on (but excluding) the first Interest Payment Date and each period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next Interest Payment Date is herein called an "**Interest Period**".

The Final Terms or Pricing Supplement in relation to each Series of Covered Bonds in relation to which the Floating Rate Covered Bonds Provisions are specified as being applicable shall specify which page (the "**Relevant Screen Page**") on the Reuters Screen or any other information vending service shall be applicable.

The rate of interest (the "**Rate of Interest**") applicable to such Covered Bonds for each Interest Period shall be determined by the Fiscal Agent or such other agent as may be specified in the relevant Final Terms or Pricing Supplement (the "**Determination Agent**") on the following basis:

- (A) If the Reference Rate is a composite quotation or customarily supplied by one entity, then:
- (i) where the Reference Rate is based on the London interbank offered rate ("**LIBOR**") the Determination Agent will determine the rate for deposits (or, as the case may require, the arithmetic mean of the rates for deposits) in the relevant currency for a period of the duration of the relevant Interest Period on the Relevant Screen Page as of the Relevant Time on the Interest Determination Date;
 - (ii) where the Reference Rate is based on the Euro zone interbank offered rate ("**EURIBOR**") the Determination Agent will determine the rate for deposits (or, as the case may require, the arithmetic mean of the rates for deposits) in euro for a period of the duration of the relevant Interest Period on the Relevant Screen Page as of the Relevant Time on the Interest Determination Date;
 - (iii) where the Reference Rate is based on the Australian bank bill swap rate ("**BBSW**") the Determination Agent will determine the rate for deposits (or, as the case may require, the arithmetic mean of the rates for deposits) in Australian Dollars for a period of the duration of the relevant Interest Period on the Relevant Screen Page as of the Relevant Time on the Interest Determination Date;

- (iv) where the Reference Rate is based on the New Zealand bank bill rate ("**BKBM**") the Determination Agent will determine the rate for deposits (or, as the case may require, the arithmetic mean of the rates for deposits) in New Zealand Dollars for a period of the duration of the relevant Interest Period on the Relevant Screen Page as of the Relevant Time on the Interest Determination Date;
- (v) where the Reference Rate is based on the Canadian dealer offer rate ("**CDOR**") the Determination Agent will determine the rate for deposits (or, as the case may require, the arithmetic mean of the rates for deposits) in Canadian Dollars for a period of the duration of the relevant Interest Period on the Relevant Screen Page as of the Relevant Time on the Interest Determination Date;
- (vi) where the Reference Rate is based on the Copenhagen interbank offered rate ("**CIBOR**") the Determination Agent will determine the rate for deposits (or, as the case may require, the arithmetic mean of the rates for deposits) in Danish Krone for a period of the duration of the relevant Interest Period on the Relevant Screen Page as of the Relevant Time on the Interest Determination Date;
- (vii) where the Reference Rate is based on the Hong Kong interbank offered rate ("**HIBOR**") the Determination Agent will determine the rate for deposits (or, as the case may require, the arithmetic mean of the rates for deposits) in the relevant currency for a period of the duration of the relevant Interest Period on the Relevant Screen Page as of the Relevant Time on the Interest Determination Date;
- (viii) where the Reference Rate is based on the Johannesburg interbank agreed rate ("**JIBAR**") the Determination Agent will determine the rate for deposits (or, as the case may require, the arithmetic mean of the rates for deposits) in the relevant currency for a period of the duration of the relevant Interest Period on the Relevant Screen Page as of the Relevant Time on the Interest Determination Date;
- (ix) where the Reference Rate is based on the Moscow prime offered rate ("**MOSPRIME**") the Determination Agent will determine the rate for deposits (or, as the case may require, the arithmetic mean of the rates for deposits) in Russian Roubles for a period of the duration of the relevant Interest Period on the Relevant Screen Page as of the Relevant Time on the Interest Determination Date;
- (x) where the Reference Rate is based on the Oslo interbank offered rate ("**NIBOR**") the Determination Agent will determine the rate for deposits (or, as the case may require, the arithmetic mean of the rates for deposits) in Norwegian Kroner for a period of the duration of the relevant Interest Period on the Relevant Screen Page as of the Relevant Time on the Interest Determination Date;
- (xi) where the Reference Rate is based on the Stockholm interbank offered rate ("**STIBOR**") the Determination Agent will determine the rate for deposits (or, as the case may require, the arithmetic mean of the rates for deposits) in Swedish Krona for a period of the duration of the relevant Interest Period on the Relevant Screen Page as of the Relevant Time on the Interest Determination Date;
- (xii) where the Reference Rate is based on the Tokyo interbank offered rate ("**TIBOR**") the Determination Agent will determine the rate for deposits (or, as the case may require, the arithmetic mean of the rates for deposits) in Japanese Yen for a period of the duration of the relevant Interest Period on the Relevant Screen Page as of the Relevant Time on the Interest Determination Date;
- (xiii) where the Reference Rate is based on the Mexican interbank equilibrium interest rate ("**TIIE**") the Determination Agent will determine the rate for deposits (or, as the case may require, the arithmetic mean of the rates for deposits) in Mexican Peso for a period of the duration of the relevant Interest Period on the Relevant Screen Page as of the Relevant Time on the Interest Determination Date;
- (xiv) where the Reference Rate is based on the Turkish Lira interbank offer rate ("**TRLIBOR**") the Determination Agent will determine the rate for deposits (or, as the case may require, the

arithmetic mean of the rates for deposits) in Turkish Lira for a period of the duration of the relevant Interest Period on the Relevant Screen Page as of the Relevant Time on the Interest Determination Date;

- (xv) where the Reference Rate is based on the Warsaw interbank offered rate ("**WIBOR**") the Determination Agent will determine the rate for deposits (or, as the case may require, the arithmetic mean of the rates for deposits) in Polish Zloty for a period of the duration of the relevant Interest Period on the Relevant Screen Page as of the Relevant Time on the Interest Determination Date;
 - (xvi) where the Reference Rate is based on the interbank offered rate in a Relevant Financial Centre specified in the relevant Pricing Supplement, the Determination Agent will determine the rate for deposits (or, as the case may require, the arithmetic mean of the rates for deposits) in the relevant currency for a period of the duration of the relevant Interest Period on the Relevant Screen Page as of the Relevant Time on the Interest Determination Date;
 - (xvii) if no such rate for deposits so appears (or, as the case may require, if fewer than two such rates for deposits so appear), the Determination Agent will request appropriate quotations and will determine the arithmetic mean of the rates at which deposits in the relevant currency are offered by four major banks (selected by the Determination Agent) in the Relevant Financial Centre at approximately the Relevant Time on the first day of the relevant Interest Period to prime banks in the interbank market of the Relevant Financial Centre in each such case for a period of the duration of the relevant Interest Period and in an amount that is representative for a single transaction in the relevant market at the relevant time; and
 - (xviii) if fewer than two rates are so quoted, the Determination Agent will determine the arithmetic mean of the rates quoted by major banks in the Relevant Financial Centre, selected by the Determination Agent at approximately the Relevant Time on the first day of the relevant Interest Period for loans in the relevant currency to leading European banks for a period of the duration of the relevant Interest Period and in an amount that is representative for a single transaction in the relevant market at the Relevant Time, and
- (B) if Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms or Pricing Supplement, the Rate of Interest for such Interest Period shall be calculated by the Determination Agent by straight-line linear interpolation by reference to two rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination date, where:
- (1) one rate shall be determined as if the relevant Interest Period were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and
 - (2) the other rate shall be determined as if the relevant Interest Period were the period of time for which rates are available next longer than the length of the relevant Interest Period; provided, however, that if no rate is available for a period of time next shorter or, as the case may be, next longer than the length of the relevant Interest Period, then the Determination Agent shall determine such rate at such time and by reference to such sources as it determines appropriate,

and the Rate of Interest applicable to such Covered Bonds during each Interest Period will be the sum of the relevant margin (the "**Relevant Margin**") specified in the relevant Final Terms or Pricing Supplement and the rate (or, as the case may be, the arithmetic mean) so determined **provided that**, if the Determination Agent is unable to determine a rate (or, as the case may be, an arithmetic mean) in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to such Covered Bonds during such Interest Period will be the sum of the Relevant Margin and the rate (or, as the case may be, the arithmetic mean) last determined in relation to such Covered Bonds in respect of a preceding Interest Period.

For the purpose of these Conditions "**Euro-zone**" means the region comprised of Member States of the European Union that adopt the single currency in accordance with the Treaty on European Union as amended, and as used in this Condition 4 (*Interest*), "**business day**" means a day on which commercial banks and foreign exchange markets settle payments in the financial centre(s) specified for each Interest Determination Date; "**Interest Determination Date**" means the date specified as such in the Final Terms or Pricing Supplement or if none is so specified, means (i) in the case of LIBOR, the

second London Banking Day before the first day of the relevant Interest Period, or in the case of Covered Bonds denominated in Pounds Sterling, the first London Banking Day of the relevant Interest Period or in the case of euro-LIBOR, the second TARGET2 Settlement Day before the first day of the relevant Interest Period, (ii) in the case of EURIBOR, the second TARGET2 Settlement Day before the first day of the relevant Interest Period, (iii) in the case of BBSW, the first Sydney business day of the relevant Interest Period, (iv) in the case of BKBM, the first Auckland and Wellington business day of the relevant Interest Period, (v) in the case of CDOR, the second Toronto business day prior to the first day of the relevant Interest Period, (vi) in the case of CIBOR, the second Copenhagen business day prior to the first day of the relevant Interest Period, (vii) in the case of HIBOR, the first Hong Kong business day of the relevant Interest Period, (viii) in the case of JIBAR, the first Johannesburg business day of the relevant Interest Period; (ix) in the case of MOSPRIME, the first Moscow business day before the first day of the relevant Interest Period, (x) in the case of NIBOR, the second Oslo business day before the first day of the relevant Interest Period, (xi) in the case of STIBOR, the second Stockholm business day before the first day of the relevant interest period, (xii) in the case of TIBOR, the second Tokyo business day before the first day of the relevant Interest Period, (xiii) in the case of TIIE, the first Mexico City business day before the first day of the relevant Interest Period, (xiv) in the case of TRLIBOR, the second Istanbul business day before the first day of the relevant Interest Period, (xv) in the case of WIBOR, the first Warsaw business day of the relevant Interest Period, or, in the case of Exempt Covered Bonds, such other Interest Determination Date as shall be specified in the applicable Pricing Supplement; **"Reference Rate"** means (i) LIBOR, (ii) EURIBOR, (iii) BBSW, (iv) BKBM, (v) CDOR, (vi) CIBOR, (vii) HIBOR, (viii) JIBAR, (ix) MOSPRIME, (x) NIBOR, (xi) STIBOR, (xii) TIBOR, (xiii) TIIE, (xiv) TRLIBOR, (xv) WIBOR, in each case for the relevant Interest Period, as specified in the applicable Final Terms or Pricing Supplement, or, in the case of Exempt Covered Bonds, such other Reference Rate as shall be specified in the applicable Pricing Supplement; **"Relevant Financial Centre"** has the meaning given to such term in Condition 7(5)(c)(ii) and **"Relevant Time"** means the time specified as such in the Final Terms or Pricing Supplement or if none is so specified, means (i) in the case of LIBOR, 11.00 a.m. London time, (ii) in the case of EURIBOR, 11.00 a.m. Brussels time, (iii) in the case of BBSW, 10.00 a.m. Sydney time, (iv) in the case of BKBM, 11.00 a.m. Wellington time, (v) in the case of CDOR, 10.00 a.m. Toronto time, (vi) in the case of CIBOR, 11.00 a.m. Copenhagen time, (vii) in the case of HIBOR, 11.00 a.m. Hong Kong time, (viii) in the case of JIBAR, 12.00 p.m. Johannesburg time, (ix) in the case of MOSPRIME, 12.30 p.m. Moscow time, (x) in the case of NIBOR, 12.00 p.m. Oslo time, (xi) in the case of STIBOR, 11.00 a.m. Stockholm time, (xii) in the case of TIBOR, 11.00 a.m. Tokyo time, (xiii) in the case of TIIE, 2.30 p.m. Mexico City time, (xiv) in the case of TRLIBOR, 11.15 a.m. Istanbul time, (xv) in the case of WIBOR, 11.00 a.m. Warsaw time or, in the case of Exempt Covered Bonds, such other time as shall be specified in the applicable Pricing Supplement.

The Determination Agent will, as soon as practicable after determining the Rate of Interest in relation to each Interest Period, calculate the amount of interest (the **"Interest Amount"**) payable in respect of the Calculation Amount specified in the relevant Final Terms or Pricing Supplement for the relevant Interest Period. The amount of interest shall be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the actual number of days in the Interest Period concerned divided by 360 (or, in the case of the Covered Bonds denominated in Pounds Sterling, 365 (or, if any portion of such Interest Period falls in a leap year, the sum of (i) the actual number of days in that portion divided by 366 and (ii) the actual number of days in the remainder of such Interest Period divided by 365)) or by such other number as may be specified in the relevant Final Terms or Pricing Supplement, rounding the resulting figure to the nearest sub unit of the currency in which such Covered Bonds are denominated or, as the case may be, in which such interest is payable (one half of any such sub unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Covered Bond divided by the Calculation Amount. Where the Specified Denomination of such a Covered Bond comprises more than one Calculation Amount, the Interest Amount payable in respect of such Covered Bond shall be the aggregate of the amounts (determined in the manner above) for each Calculation Amount comprising the Specified Denomination, without any further rounding.

(c) ***Interest—Other Rates***

Covered Bonds in relation to which this Condition 4(c) is specified in the relevant Pricing Supplement as being applicable shall bear interest at the rates per annum, or payable in the amounts and in the manner determined in accordance with, the relevant Pricing Supplement.

(d) ***Interest—Supplemental Provision***

(i) Condition 4(d)(ii) (*Notification of Rates of Interest, Interest Amounts and Interest Payment Dates*) shall be applicable in relation to Covered Bonds in relation to which Floating Rate Covered Bond Provisions are specified in the relevant Final Terms or Pricing Supplement as being applicable and Condition 4(d)(iii) shall be applicable in relation to all interest bearing Covered Bonds.

(ii) ***Notification of Rates of Interest, Interest Amounts and Interest Payment Dates***

The Determination Agent will cause each Rate of Interest, floating rate, Interest Payment Date, final day of a calculation period, Interest Amount or floating amount determined or calculated by it to be notified to the Issuer and the Fiscal Agent. The Fiscal Agent will cause all such determinations or calculations to be notified to the other Paying Agents and, in the case of Registered Covered Bonds, the Registrar (from whose respective specified offices such information will be available) as soon as practicable after such determination or calculated but in any event not later than the fourth London Banking Day thereafter and, in the case of Covered Bonds admitted to the listing on the Official List of the Irish Stock Exchange or the London Stock Exchange (as the case may be) and to trading on its regulated market, cause each such Rate of Interest, floating rate, Interest Amount or floating amount to be notified to the Irish Stock Exchange. The Determination Agent will be entitled to amend any Interest Amount, floating amount, Interest Payment Date or last day of a calculation period (or to make appropriate alternative arrangements by way of adjustment) without notice in the event of the extension or abbreviation of the relevant Interest Period or calculation period. For the purposes of these Conditions, "**London Banking Day**" means a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in London and "**TARGET2 Settlement Day**" has the meaning set out below.

(iii) The determination by the Determination Agent of all rates of interest and amounts of interest for the purposes of this Condition 4 shall, in the absence of manifest error, be final and binding on all parties.

(iv) If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms or Pricing Supplement, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.

(v) Unless otherwise specified in the relevant Final Terms or Pricing Supplement, including where the Minimum Rate of Interest is specified as being "Not Applicable" in the relevant Final Terms or Pricing Supplement, the Minimum Rate of Interest shall be deemed to be zero.

(e) ***Non Interest Bearing Covered Bonds***

If any principal amount in respect of any Covered Bond which is non interest bearing is not paid when due, interest shall accrue from and including such due date, or in the case of Finnish Covered Bonds from but excluding such due date, on the overdue amount at a rate per annum (expressed as a percentage per annum) equal to the Accrual Yield defined in the Final Terms or Pricing Supplement or at such other rate as may be specified for this purpose in the Final Terms or Pricing Supplement until but excluding, or in the case of Finnish Covered Bonds until and including, the date on which, upon due presentation or surrender of the relevant Covered Bond (if required), the relevant payment is made or, if earlier (except where presentation or surrender of the relevant Covered Bond is not required as a pre-condition of payment), the seventh day after the date on which, the Fiscal Agent or the Registrar, as the case may be, having received the funds required to make such payment, gives notice to the Holders of the Covered Bonds in accordance with Condition 12 (*Notices*) that the Fiscal Agent or the Registrar, as the case may be has received the required funds, (except to the extent that there is failure in the subsequent payment thereof to the relevant Holder). The amount of any such interest shall be calculated by multiplying the product of the Accrual Yield and the overdue sum by the Day Count Fraction as specified for this purpose in the Final Terms or Pricing Supplement.

(f) ***Interest Payments up to the Extended Maturity Date***

If an Extended Maturity Date is specified in the applicable Final Terms or Pricing Supplement as applying to a Series of Covered Bonds and the maturity of those Covered Bonds is extended beyond the Maturity Date in accordance with Condition 5(j) (*Extension of maturity up to Extended Maturity Date*):

- (i) the Covered Bonds shall bear interest from (and including) the Maturity Date to (but excluding) the earlier of the relevant Interest Payment Date after the Maturity Date on which the Covered Bonds are redeemed in full and the Extended Maturity Date. Interest shall be payable on the Covered Bonds at the rate specified in the applicable Final Terms or Pricing Supplement on the principal amount outstanding of the Covered Bonds in arrear on each monthly Interest Payment Date after the Maturity Date in respect of the interest period beginning on (and including) the Maturity Date and ending on (but excluding) the first Interest Payment Date after the Maturity Date and each subsequent interest period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next Interest Payment Date subject (in the case of the Exempt Covered Bonds only) as otherwise provided in the applicable Pricing Supplement. The final Interest Payment Date shall fall no later than the Extended Maturity Date;
- (ii) the rate of interest payable from time to time under Condition 4(f)(i) will be as specified in the applicable Final Terms or Pricing Supplement and, where applicable, determined by the Fiscal Agent or, where the applicable Final Terms or Pricing Supplement specify a Determination Agent, the Determination Agent so specified, three Business Days after the Maturity Date in respect of the first such interest period and thereafter as specified in the applicable Final Terms or Pricing Supplement; and
- (iii) in the case of Covered Bonds which are non-interest bearing Covered Bonds up to (and including) the Maturity Date, for the purposes of this Condition 4(f) the principal amount outstanding shall be the total amount otherwise payable by the Issuer on the Maturity Date less any payments made by the Issuer in respect of such amount in accordance with these Conditions.

(g) ***Interest - Definitions***

For the purposes of these Conditions:

"Business Day Convention", in relation to any particular date, has the meaning given in the relevant Final Terms or Pricing Supplement and, if so specified in the relevant Final Terms or Pricing Supplement, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

- (a) **"Following Business Day Convention"** means that the relevant date shall be postponed to the first following day that is a Business Day;
- (b) **"Modified Following Business Day Convention"** or **"Modified Business Day Convention"** means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (c) **"Preceding Business Day Convention"** means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
- (d) **"FRN Convention", "Floating Rate Convention" or "Eurodollar Convention"** means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Final Terms or Pricing Supplement as the Specified Period after the calendar month in which the preceding such date occurred **provided, however, that:**
 - (i) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
 - (ii) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and

- (iii) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and
- (e) **"No Adjustment"** or **"unadjusted"** means that the relevant date shall not be adjusted in accordance with any Business Day Convention.

"Calculation Amount" has the meaning given in the relevant Final Terms or Pricing Supplement

"Day Count Fraction" means, in respect of the calculation of an amount for any period of time (the **"Calculation Period"**), such day count fraction as may be specified in these Conditions or the relevant Pricing Supplement and:

- (i) if **"Actual/Actual (ICMA)"** is so specified, means:
 - (a) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
 - (b) where the Calculation Period is longer than one Regular Period, the sum of:
 - (A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
 - (B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;
- (ii) if **"Actual/Actual (ISDA)"** is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non leap year divided by 365);
- (iii) if **"Actual/365 (Fixed)"** is so specified, means the actual number of days in the Calculation Period divided by 365;
- (iv) if **"Actual/365 (Sterling)"** is so specified, means the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Payment date falling in a leap years, 366;
- (v) if **"Actual/360"** is so specified, means the actual number of days in the Calculation Period divided by 360;
- (vi) if **"30/360"**, **"360/360"** or **"Bond Basis"** is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y₁" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M₂" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"D₁" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30";

- (vii) if "30E/360" or "Eurobond Basis" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y₁" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D₁" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D₂ will be 30; and

- (viii) if "30E/360 (ISDA)" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y₁" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D₁" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D₁ will be 30; and

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D₂ will be 30,

provided, however, that in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

"Interest Commencement Date" means the date of issue of the Covered Bonds (as specified in the Final Terms or Pricing Supplement) or such other date as may be specified as such in the Final Terms or Pricing Supplement;

"Maximum Redemption Amount" has the meaning given in the relevant Final Terms or Pricing Supplement;

"Minimum Redemption Amount" has the meaning given in the relevant Final Terms or Pricing Supplement;

"Regular Period" means:

- (i) in the case of Covered Bonds where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;
- (ii) in the case of Covered Bonds where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where **"Regular Date"** means the day and month (but not the year) on which any Interest Payment Date falls; and
- (iii) in the case of Covered Bonds where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where **"Regular Date"** means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period;

"TARGET2" means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007; and

"TARGET2 Settlement Day" means any day on which TARGET2 is open for the settlement of payments in euro.

5. **Redemption and Purchase**

(a) ***Redemption at Maturity***

Unless previously redeemed, or purchased and cancelled, Covered Bonds shall be redeemed at their principal amount (or at such other redemption amount as may be specified in the relevant Pricing Supplement) on the date or dates (or, in the case of Covered Bonds which bear interest at a floating rate of interest, on the date or dates upon which interest is payable) specified in the relevant Final Terms or Pricing Supplement.

(b) ***Early Redemption for Taxation Reasons***

If, in relation to any Series of Covered Bonds, as a result of any change in the laws of any Taxing Jurisdiction or of any political subdivision thereof or any authority or agency therein or thereof having power to tax or in the interpretation or administration of any such laws or regulations which becomes effective on or after the date of issue of such Covered Bonds or any earlier date specified in the relevant Final Terms or Pricing Supplement on the occasion of the next payment due in respect of such Covered Bonds the Issuer would be required to pay additional amounts as provided in Condition 6 (*Taxation*), the Issuer may, at its option having given not less than thirty nor more than sixty days' notice (ending, in the case of Covered Bonds which bear interest at a floating rate, on a day upon which interest is payable) to the Holders in accordance with Condition 12 (*Notices*) (which notice shall be irrevocable) redeem in whole (but not, unless and to the extent that the relevant Final Terms or Pricing Supplement specifies otherwise, in part) the Covered Bonds of the relevant Series at its principal amount or such other redemption amount as may be specified in the relevant Final Terms or Pricing Supplement or at the redemption amount referred to in Condition 5(f) (*Early Redemption of*

non interest bearing Covered Bonds), together with accrued but unpaid interest ("**Accrued Interest**") (if any) thereon.

"**Taxing Jurisdiction**" means Finland or any political subdivision thereof or any authority or agency therein or thereof having power to tax or any other jurisdiction or any political subdivision thereof or any authority or agency therein or thereof, having power to tax in which the Issuer is treated as having a permanent establishment, under the income tax laws of such jurisdiction.

(c) ***Optional Early Redemption (Call)***

If this Condition 5(c) is specified in the relevant Final Terms or Pricing Supplement as being applicable, then the Issuer may, upon the expiry of the appropriate notice, redeem in whole (but not, unless and to the extent that the relevant Final Terms or Pricing Supplement specifies otherwise, in part), the Covered Bonds of the relevant Series at its principal amount or such other redemption amount as may be specified in the relevant Final Terms or Pricing Supplement), together with Accrued Interest (if any) thereon. Covered Bonds denominated in Pounds Sterling may not be redeemed prior to one year and one day from the date of issue. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Final Terms, then the Optional Redemption Amount shall in no event be greater than the maximum or be less than the minimum so specified.

The appropriate notice referred to in this Condition 5(c) is a notice given by the Issuer to the Fiscal Agent, the Registrar (in the case of Registered Covered Bonds) and the Holders of the Covered Bonds of the relevant Series, which notice shall be signed by two duly authorised officers of the Issuer and shall specify:

- the Series of Covered Bonds subject to redemption;
- whether such Series is to be redeemed in whole or in part only and, if in part only, the aggregate principal amount of the Covered Bonds of the relevant Series which are to be redeemed;
- the due date for such redemption, which shall be not less than thirty days (as more particularly specified in the relevant Final Terms or Pricing Supplement) after the date on which such notice is validly given and which is, in the case of Covered Bonds which bear interest at a floating rate, a date upon which interest is payable; and
- the amount at which such Covered Bonds are to be redeemed, which shall be their principal amount (or such other amount as may be specified in the relevant Final Terms or Pricing Supplement) together with, in the case of Covered Bonds which bear interest, Accrued Interest thereon.

Any such notice shall be irrevocable, and the delivery thereof shall oblige the Issuer to make the redemption therein specified.

(d) ***Partial Redemption***

If the Covered Bonds of a Series are to be redeemed in part only on any date in accordance with Condition 5(c) (*Optional Early Redemption (Call)*):

- (i) in the case of Bearer Covered Bonds, the Covered Bonds shall be redeemed *pro rata* to their principal amount by being drawn by lot in such European city as the Fiscal Agent may specify, or identified in such other manner or in such other place as the Fiscal Agent may approve and deem appropriate and fair, subject always to compliance with all applicable laws and the rules of each listing authority, stock exchange and/or quotation system (if any) on which the Covered Bonds have then been admitted to listing, trading and/or quotation and, if applicable, the rules of Euroclear and Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion); and
- (ii) in the case of Registered Covered Bonds, the Covered Bonds shall be redeemed *pro rata* to their principal amounts, subject always to compliance with all applicable laws and the rules of each listing authority, stock exchange and/or quotation system (if any) by which the Covered

Bonds have then been admitted to listing, trading and/or quotation and, if applicable, the rules of Euroclear and Clearstream, Luxembourg.

(e) ***Optional Early Redemption (Put)***

If this Condition 5(e) is specified in the relevant Final Terms or Pricing Supplement as being applicable, then the Issuer shall, upon the exercise of the relevant option by the Holder of any Covered Bond of the relevant Series, redeem such Covered Bond on the date or the next of the dates specified in the relevant Final Terms or Pricing Supplement at its principal amount (or such other redemption amount as may be specified in the relevant Final Terms or Pricing Supplement), together with Accrued Interest (if any) thereon. In order to exercise such option, the Holder must, not less than forty five days before the date so specified in the relevant Final Terms or Pricing Supplement, deposit the relevant Covered Bond (together, in the case of an interest bearing Definitive Covered Bond, with any unmatured Coupons appertaining thereto) with, in the case of a Bearer Covered Bond, any Paying Agent or, in the case of a Registered Covered Bond, the Registrar together with a duly completed redemption notice in the form which is available from the specified office of any of the Paying Agents or, as the case may be, the Registrar.

(f) ***Early Redemption of non interest bearing Covered Bonds***

The redemption amount payable in respect of any non interest bearing Covered Bond upon redemption of such Covered Bond pursuant to Condition 5(b) (*Early Redemption for Taxation Reasons*), or, if applicable Condition 5(c) (*Optional Early Redemption (Call)*) or 5(e) (*Optional Early Redemption (Put)*) shall be the Amortised Face Amount (calculated as provided below) of such Covered Bonds or such other calculation basis as may be specified in the relevant Pricing Supplement.

- (i) Subject to the provisions of sub paragraph (ii) below, the Amortised Face Amount of any such Covered Bond shall be the sum of (A) the Reference Price specified in the relevant Final Terms or Pricing Supplement and (B) the aggregate amortisation of the difference between the principal amount of such Covered Bond from its date of issue to the date on which such Covered Bond becomes due and payable at a rate per annum (expressed as a percentage) equal to the Accrual Yield specified in the relevant Final Terms or Pricing Supplement compounded annually and the Reference Price. Where such calculation is to be made for a period of less than one year, it shall be made on the basis of a 360 day year consisting of 12 months of 30 days each or such other Day Count Fraction as may be specified in the relevant Final Terms or Pricing Supplement.
- (ii) If the redemption amount payable in respect of any such Covered Bond upon its redemption pursuant to Condition 5(b) (*Early Redemption for Taxation Reasons*), or, if applicable Condition 5(c) (*Optional Early Redemption (Call)*) or 5(e) (*Optional Early Redemption (Put)*) is not paid when due, the redemption amount due and payable in respect of such Covered Bond shall be the Amortised Face Amount of such Covered Bond as defined in sub paragraph (i) above, except that sub paragraph shall have effect as though the reference therein to the date on which the Covered Bond becomes due and payable were replaced by a reference to the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub paragraph will continue to be made (as well after as before judgment), until the Relevant Date unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the principal amount of such Covered Bond.

(g) ***Purchase of Covered Bonds***

The Issuer and its subsidiaries (if any) may at any time purchase Covered Bonds in the open market or otherwise and at any price **provided that**, in the case of interest bearing Definitive Covered Bonds, any unmatured Coupons appertaining thereto are purchased therewith. Such purchased Covered Bonds may be cancelled, reissued or resold.

(h) ***Cancellation of Redeemed and Purchased Covered Bonds***

All Covered Bonds redeemed or purchased for cancellation in accordance with this Condition 5 and, in the case of interest bearing Definitive Covered Bonds, any unmatured Coupons attached thereto or surrendered or purchased for cancellation therewith will be cancelled and may not be reissued or resold. References in this Condition 5 to the purchase of Covered Bonds by the Issuer or its

subsidiaries (if any) shall not include the purchase of Covered Bonds in the ordinary course of business of dealing in securities or the purchase of Covered Bonds otherwise than as beneficial owners.

(i) ***Procedure for Payment upon Redemption***

Any redemption of the Finnish Covered Bonds pursuant to this Condition 5 shall be in accordance with, in the case of the Finnish Covered Bonds, the Euroclear Finland Rules.

(j) ***Extension of maturity up to Extended Maturity Date***

- (i) An Extended Maturity Date may be specified in the applicable Final Terms or Pricing Supplement as applying to the relevant Series of Covered Bonds.
- (ii) If an Extended Maturity Date is specified in the applicable Final Terms or Pricing Supplement as applying to a Series of Covered Bonds and the Issuer fails to redeem the relevant Covered Bonds in full on the Maturity Date or within three Business Days thereafter, the maturity of the outstanding Covered Bonds and the date on which such Covered Bonds will be due and repayable for the purposes of these Conditions will be automatically extended up to but no later than the Extended Maturity Date, subject as otherwise provided for in the applicable Pricing Supplement. In that event, the Issuer may redeem all or any part of the principal amount outstanding of the Covered Bonds on an Interest Payment Date falling in any month after the Maturity Date up to and including the Extended Maturity Date or as otherwise provided for in the applicable Pricing Supplement. The Issuer shall give notice to the Holders of the Covered Bonds (in accordance with Condition 12 (*Notices*)) and the Paying Agents of its intention to redeem all or any of the principal amount outstanding of the Covered Bonds at least five Business Days prior to the relevant Interest Payment Date or, as applicable, the Extended Maturity Date.
- (iii) In the case of Covered Bonds which are non-interest bearing up to (and including) the Maturity Date to which an Extended Maturity Date is specified under the applicable Final Terms or Pricing Supplement, for the purposes of this Condition 5(j) the principal amount outstanding shall be the total amount otherwise payable by the Issuer on the Maturity Date less any payments made by the Issuer in respect of such amount in accordance with these Conditions.
- (iv) Any extension of the maturity of Covered Bonds under this Condition 5(j) shall be irrevocable. Where this Condition 5(j) applies, any failure to redeem the Covered Bonds on the Maturity Date or any extension of the maturity of Covered Bonds under this Condition 5(j), shall not constitute a default, an event of default or acceleration of payment or other similar condition or event (however described) for any purpose or give any Covered Bond Holder any right to receive any payment of interest, principal or otherwise on the relevant Covered Bonds other than as expressly set out in these Conditions.
- (v) In the event of the extension of the maturity of Covered Bonds under this Condition 5(j), rates of interest, interest periods and interest payment dates on the Covered Bonds from (and including) the Maturity Date to (but excluding) the Extended Maturity Date shall be determined and made in accordance with the applicable Final Terms or Pricing Supplement and Condition 4(f) (*Interest Payments up to the Extended Maturity Date*).
- (vi) If the Issuer redeems part and not all of the principal amount outstanding of Covered Bonds on any Interest Payment Date falling after the Maturity Date, the redemption proceeds shall be applied rateably across the Covered Bonds and the principal amount outstanding on the Covered Bonds shall be reduced by the level of that redemption.
- (vii) If the maturity of any Covered Bonds is extended up to the Extended Maturity Date in accordance with this Condition 5(j), subject as otherwise provided for in the applicable Pricing Supplement, for so long as any of those Covered Bonds remains outstanding, the Issuer shall not issue any further Covered Bonds, unless the proceeds of issue of such further Covered Bonds are applied by the Issuer on issue to redeem in whole or in part the relevant Covered Bonds in accordance with the terms hereof.

6. **Taxation**

- (a) All amounts payable (whether in respect of principal, redemption amount, interest or otherwise) in respect of the Covered Bonds will be made free and clear of and without withholding or deduction for, or on account of, any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Taxing Jurisdiction or any political subdivision thereof or any authority or agency therein or thereof having power to tax, unless the withholding or deduction of such taxes or duties is required by law. In that event, the Issuer will pay such additional amounts as may be necessary in order that the net amounts receivable by the Holders after such withholding or deduction shall equal the respective amounts which would have been receivable in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to payment in respect of any Covered Bond or Coupon:
- (i) presented for payment in Finland; or
 - (ii) held by or on behalf of a Holder who is liable to such taxes or duties in respect of such Bearer Covered Bond or Coupon by reason of such Holder having some connection with a Taxing Jurisdiction other than the mere holding of such Bearer Covered Bond or Coupon; or
 - (iii) presented for payment more than thirty days after the Relevant Date (as defined below), except to the extent that the relevant Holder would have been entitled to such additional amounts on presenting the same for payment on the expiry of such period of thirty days; or
 - (iv) held by or on behalf of, a Holder who would not be liable or subject to the withholding or deduction by making a declaration of non residence or other similar claim for exemption to the relevant tax authority,

Notwithstanding anything to the contrary in these terms and conditions, the Issuer shall be permitted to withhold or deduct any amounts required by Sections 1471 to 1474 ("FATCA") of the U.S. Internal Revenue Code of 1986, any treaty, law, regulation or other official guidance implementing FATCA, or any agreement (or related guidance) between the Issuer, a paying agent or any other person and the United States, any other jurisdiction, or any authority of any of the foregoing implementing FATCA and none of the Issuer, any paying agent or any other person shall be required to pay any additional amounts with respect to any FATCA withholding or deduction imposed on or with respect to any Covered Bond.

- (b) For the purposes of these Conditions, the "**Relevant Date**" means the date on which such payment first becomes due and payable, but if the full amount of the moneys payable has not been received by the Fiscal Agent or, as the case may be, the Registrar on or prior to such due date, it means the first date on which the full amount of such moneys has been so received and notice to that effect shall have been duly given to the Holders of the Covered Bonds of the relevant Series in accordance with Condition 12 (*Notices*).
- (c) Any reference in these Conditions to principal, redemption amount and/or interest in respect of the Covered Bonds shall be deemed also to refer to any additional amounts which may be payable under this Condition 6 or any undertaking given in addition thereto or in substitution therefore.

7. **Payments**

(1) ***Payments—Bearer Covered Bonds***

- (a) This Condition 7(1) is applicable in relation to Bearer Covered Bonds.
- (b) Payment of amounts (including Accrued Interest) due on the redemption of Bearer Covered Bonds will be made against presentation and, save in the case of a partial redemption by reason of insufficiency of funds, surrender of the relevant Bearer Covered Bonds to or to the order of any of the Paying Agents.
- (c) Payment of amounts due in respect of interest on Bearer Covered Bonds will be made:
- (i) in the case of a Temporary Global Covered Bond or Permanent Global Covered Bond, against presentation of the relevant Temporary Global Covered Bond or Permanent Global

Covered Bond at the specified office of any of the Paying Agents outside the United States and, in the case of a Temporary Global Covered Bond, upon due certification as required therein;

- (ii) in the case of Definitive Covered Bonds without Coupons attached thereto at the time of their initial delivery, against presentation of the relevant Definitive Covered Bonds at the specified office of any of the Paying Agents outside the United States; and
 - (iii) in the case of Definitive Covered Bonds delivered with Coupons attached thereto at the time of their initial delivery, against surrender of the relevant Coupons at the specified office of any of the Paying Agents outside the United States.
- (d) If the due date for payment of any amount due (whether in respect of principal, interest or otherwise) in respect of any Bearer Covered Bonds is not a Business Day, then the Holder thereof will not be entitled to payment thereof until the next following such Business Day and no further payment shall be due in respect of such delay save in the event that there is a subsequent failure to pay in accordance with these Conditions.
- (e) Each Definitive Covered Bond initially delivered with Coupons attached thereto should be surrendered for final redemption together with all unmatured Coupons appertaining thereto, failing which:
- (i) in the case of Definitive Covered Bonds which bear interest at a fixed rate or rates, the amount of any missing unmatured Coupons will be deducted from the amount otherwise payable on such final redemption, the amount so deducted being payable against surrender of the relevant Coupon at the specified office of any of the Paying Agents at any time prior to the tenth anniversary of the due date of such final redemption or, if later, the fifth anniversary of the date of maturity of such Coupon; and
 - (ii) in the case of Definitive Covered Bonds which bear interest at, or at a margin above or below, a floating rate, all unmatured Coupon relating to such Definitive Covered Bonds (whether or not surrendered therewith) shall become void and no payment shall be made thereafter in respect of them.

(2) ***Payments—Registered Covered Bonds***

- (a) This Condition 7(2) is applicable in relation to Registered Covered Bonds.
- (b) Payments of the amounts (including Accrued Interest) due on the final redemption of Registered Covered Bonds will be made against presentation and, save in the case of a partial redemption by reason of insufficiency of funds, surrender of the relevant Registered Covered Bonds at the specified office of the Registrar. If the due date for payment of the final redemption amount of Registered Covered Bonds is not a Business Day, the Holder thereof will not be entitled to payment thereof until the next following such Business Day and no further payment shall be due in respect of such delay save in the event that there is a subsequent failure to pay in accordance with these Conditions.
- (c) Payment of amounts (whether principal, interest or otherwise) due (other than in respect of the final redemption of Registered Covered Bonds) in respect of Registered Covered Bonds will be paid to the Holders thereof (or, in the case of joint Holders, the first named) as appearing in the register kept by the Registrar as at opening of business (London time) on the fifteenth London Banking Day before the due date for such payment (the "**Record Date**").
- (d) Notwithstanding the provisions of Condition 7(5)(b), payments of interest due (other than in respect of the final redemption of Registered Covered Bonds) will be made by a cheque drawn on a bank in the Relevant Financial Centre and posted to the address (as recorded in the register held by the Registrar) of the Holder thereof, (or, in the case of joint Holders, the first named) on the Business Day immediately preceding the relevant date for payment unless prior to the relevant Record Date the Holder thereof (or, in the case of joint Holders, the first named) has applied to the Registrar and the Registrar has acknowledged such application for payment to be made to a designated account (in the case aforesaid, a non resident account with an authorised foreign exchange bank).

(3) ***Payments—Finnish Covered Bonds***

Payments of principal and/or interest in respect of the Finnish Covered Bonds shall be made to the Holders as appearing registered in the register kept by Euroclear Finland as such on the fifth business day (as defined by the then applicable Euroclear Finland Rules) before the due date for such payment, such day being a Helsinki Business Day, or such other business day falling closer to the due date as then may be stipulated in Euroclear Finland Rules and will be made in accordance with said Euroclear Finland Rules. Such day shall be the "**Record Date**" in respect of the Finnish Covered Bonds in accordance with Euroclear Finland Rules.

(4) ***Payments — General Provisions***

(a) Save as otherwise specified herein, this Condition 7(5) is applicable in relation to Covered Bonds whether in bearer or in registered form.

(b) Subject to this Condition 7(5), payments of amounts due (whether in respect of principal, interest or otherwise) in respect of Covered Bonds denominated in a currency other than euro will be made by cheque drawn on, or by transfer to, an account maintained by the payee with, a bank (in the case aforesaid, an authorised foreign exchange bank) in the Relevant Financial Centre and in respect of an Covered Bond denominated in euro by cheque drawn on, or by transfer to, an euro account (or any other account to which euro may be credited or transferred) maintained by the payee with a bank in the principal financial centre of any Member State of the European Union. Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 6 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "Code") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, any law implementing an intergovernmental approach thereto.

(c) For the purposes of these Conditions:

(i) "**Business Day**" means (unless varied or restated in the relevant Pricing Supplement) a day on which commercial banks and foreign exchange markets settle payments in the relevant currency in London and:

- in relation to Covered Bonds denominated in euro, a TARGET2 Settlement Day;
- in relation to Finnish Covered Bonds, Helsinki;
- in relation to Covered Bonds denominated in any other currency, which is a day on which commercial banks and foreign exchange markets settle payments in the relevant currency in the Relevant Financial Centre; and
- in relation to payments due upon presentation and/or surrender of any Covered Bonds or Coupon, in the relevant place of presentation and/or surrender;

(ii) "**Relevant Financial Centre**" means, unless otherwise specified in the Final Terms or Pricing Supplement:

- in relation to Covered Bonds denominated in Australian Dollars, Sydney;
- in relation to Covered Bonds denominated in Canadian Dollars, Toronto;
- in relation to Covered Bonds denominated in Danish Krone, Copenhagen;
- in relation to Covered Bonds denominated in Hong Kong Dollars, Hong Kong;
- in relation to Covered Bonds denominated in Japanese Yen, Tokyo;
- in relation to Covered Bonds denominated in Polish Zloty, Warsaw;
- in relation to Covered Bonds denominated in Pounds Sterling, London;

- in relation to Covered Bonds denominated in Mexican Pesos, Mexico City;
- in relation to Covered Bonds denominated in New Zealand Dollars, Wellington and Auckland;
- in relation to Covered Bonds denominated in Norwegian Kroner, Oslo;
- in relation to Covered Bonds denominated in Russian Roubles, Moscow;
- in relation to Covered Bonds denominated in South African Rand, Johannesburg;
- in relation to Covered Bonds denominated in Swedish Krona, Stockholm;
- in relation to Covered Bonds denominated in Swiss francs, Zurich;
- in relation to Covered Bonds denominated in United States dollars, New York City; and
- in relation to Covered Bonds denominated in any other currency, such financial centre or centres as may be specified in relation to the relevant currency and for the purposes of the definition of "**Business Day**" in the 2006 ISDA Definitions (as amended and updated from time to time), as published by the International Swaps and Derivatives Association, Inc. or as specified in the relevant Pricing Supplement.

8. **Prescription**

- (a) Bearer Covered Bonds and the related Coupons will become void unless presented for payment within ten years (or, in the case of Coupons and save as provided in Condition 7(1)(e), five years) after the due date for payment.
- (b) Claims against the Issuer in respect of Registered Covered Bonds will be prescribed unless made within 10 years (or, in the case of claims in respect of interest, five years) after the due date for payment.

9. **The Paying Agents and the Registrars**

The initial Paying Agents and Registrars and their respective initial specified offices are specified below. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent (including the Fiscal Agent) or the Registrar and to appoint additional or other Paying Agents or another Registrar **provided that** it will at all times maintain (i) a Fiscal Agent, (ii) a Registrar, (iii) a Paying Agent with a specified office in continental Europe but outside Finland, (iv) so long as any Finnish Covered Bonds are cleared through Euroclear Finland, an Issuing Agent with a specified office in Finland, and (v) so long as Covered Bonds are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority. The Paying Agents and the Registrar reserve the right at any time to change their respective specified offices to some other specified office in the same city. Notice of all changes in the identities or specified offices of the Paying Agents or the Registrar will be notified promptly to the Holders.

10. **Replacement of Covered Bonds**

If any Covered Bond or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Fiscal Agent (in the case of Bearer Covered Bonds and Coupons) or of the Registrar (in the case of Registered Covered Bonds), subject to all applicable laws and the requirements of any stock exchange and/or listing authority on which the relevant Covered Bonds are listed, upon payment by the claimant of all expenses incurred in such replacement and upon such terms as to evidence, security, indemnity and otherwise as the Issuer and the Fiscal Agent or, as the case may be, the Registrar may require. Mutilated or defaced Covered Bonds and Coupons must be surrendered before replacements will be delivered.

11. **Meetings of Holders**

The Fiscal Agency Agreement contains provisions, which are binding on the Issuer and the Holders of Covered Bonds or Coupons, for convening meetings of the Holders of Covered Bonds of any Series to consider matters affecting their interests, including the modification or waiver of the Conditions applicable to any Series of Covered Bonds.

In relation to Finnish Covered Bonds only, meetings of Holders shall be held in accordance with the Fiscal Agency Agreement.

12. **Notices**

(a) ***To Holders of Bearer Covered Bonds***

Notices to Holders of Bearer Covered Bonds will, save where another means of effective communication has been specified in the relevant Pricing Supplement, be deemed to be validly given if published in a leading daily newspaper having general circulation in the United Kingdom (which is expected to be the Financial Times) or, in the case of a Temporary Global Covered Bond or Permanent Global Covered Bond if delivered to Euroclear and Clearstream, Luxembourg for communication by them to the persons shown in their respective records as having interests therein **provided that**, in the case of Covered Bonds admitted to listing and/or trading on any stock exchange, the requirements of such stock exchange or listing authority have been complied with. Any notice so given will be deemed to have been validly given on the date of such publication (or, if published more than once, on the date of first such publication) or, as the case may be, on the fourth Business Day after the date of such delivery.

(b) ***To Holders of Registered Covered Bonds***

Notices to Holders of Registered Covered Bonds will be deemed to be validly given if sent by first class mail to them (or, in the case of joint Holders, to the first named in the register kept by the Registrar) at their respective addresses as recorded in the Register kept by the Registrar, and will be deemed to have been validly given on the fourth Business Day after the date of such mailing.

(c) ***To the Issuer***

Notices to the Issuer will be deemed to be validly given if delivered at Nordea Mortgage Bank Plc, Satamaradankatu 5 (Sw. *Hamnbanegatan 5*), FI-00020 Nordea, Helsinki, Finland and clearly marked on their exterior "Urgent — Attention: Group Treasury & ALM" (or at such other address and for such other attention as may have been notified to the Holders of the Covered Bonds in accordance with this Condition (12) and will be deemed to have been validly given at the opening of business on the next day on which the Issuer's principal office is open for business.

(d) ***Notices in respect of Finnish Covered Bonds***

Notices in respect of Finnish Covered Bonds will be in writing, sent by mail, addressed to such Holders at the address appearing in Euroclear Finland Register maintained by the Finnish Issuing Agent in accordance with Euroclear Finland Rules, and will be deemed to have been validly given on the fourth Business Day after the date of such mailing.

13. **Further Issues**

Subject to Condition 5(j) (*Extension of maturity up to Extended Maturity Date*) the Issuer may from time to time without the consent of the Holders of any Covered Bonds of any Series create and issue further covered bonds having terms and Conditions the same as those of the Covered Bonds of such Series or the same except for the amount and date of the first payment of interest (if any), which may be consolidated and form a single Series with the outstanding Covered Bonds of such Series.

14. **Law and Jurisdiction**

- (a) The Covered Bonds, the Fiscal Agency Agreement and the Deed of Covenant and all non-contractual obligations arising out of or in connection with any of them are governed by English law, except that Condition 3 (*Status*) and all non-contractual obligations arising out of or in connection with it are

governed by, and shall be construed in accordance with the laws of Finland. In addition the Covered Bonds must comply with the CBA. Finnish law and jurisdiction will be applicable with regard to the registration of such Finnish Covered Bonds in Euroclear Finland and the Finnish Covered Bonds must comply with the Finnish Act on the Book-Entry Securities System and Clearing Activity (*Laki arvo-osuusjärjestelmästä ja selvitystoiminnasta* 749/2012), as amended.

- (b) The Issuer irrevocably agrees for the benefit of the Holders of the Covered Bonds that the courts of England shall have jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with the Covered Bonds (including a dispute relating to any non-contractual obligation arising out of or in connection with the Covered Bonds) (respectively, "**Proceedings**" and "**Disputes**") and, for such purposes, irrevocably submits to the jurisdiction of such courts. The Issuer irrevocably waives any objection which it might now or hereafter have to the courts of England being nominated as the forum to hear and determine any Proceedings and to settle any Disputes and agrees not to claim that any such court is not a convenient or appropriate forum. The submission to the jurisdiction of the courts of England shall not (and shall not be construed so as to) limit the right of the Holders of the Covered Bonds or of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in any one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not) if and to the extent permitted by applicable law. The Issuer agrees that the process by which any Proceedings in England are begun may be served on it by being delivered to Nordea Bank AB (publ), London Branch at its registered address in London from time to time, being presently at 8th Floor, City Place House, 55 Basinghall Street, London EC2V 5NB, or at any other address at which process may from time to time be served on it in accordance with the Companies Act 2006 (as modified or re enacted from time to time). Nothing contained herein shall affect the right to serve process in any other manner permitted by law.
- (c) Notwithstanding that, under the Finnish Act on the Book-Entry Securities System and Clearing Activity (*Laki arvo-osuusjärjestelmästä ja selvitystoiminnasta* 749/2012), as amended, other Finnish laws or the operating procedures, rules and regulations of Euroclear Finland (together, the "**Finnish Remedies**"), Holders of Finnish Covered Bonds may have remedies against the Issuer for non-payment or non-performance under the Conditions applicable to such Finnish Covered Bonds, a Finnish Covered Bond Holder must first exhaust all available remedies under English law for non-payment or non-performance before any Proceedings may be brought against the Issuer in Finland in respect of the Finnish Remedies. Notwithstanding Condition 14(b), and in this limited respect only, a Registered Holder of Finnish Covered Bonds may therefore not take concurrent Proceedings in Finland.

15. **Third Parties Rights**

No person shall have any right to enforce any Condition of any Covered Bonds under the Contracts (Rights of Third Parties) Act 1999 but this does not affect any right or remedy of any person which exists or is available apart from such Act.

SUMMARY OF FINNISH LEGISLATION REGARDING COVERED BONDS AND RELEVANT TO MORTGAGE LENDING

The following is a brief summary of certain features of the Finnish Covered Bond Act (*Laki kiinnitysluottopankkitoiminnasta* 688/2010), as amended (the "**CBA**") as of the date hereof. The summary does not purport to be, and is not, a complete description of all aspects of the Finnish legislative and regulatory framework for covered bonds. Please also refer to the "*Risk Factors*" on pages 7 to 20 above.

General

The CBA entered into force on 1 August 2010. It enables the issue of covered bonds (*katetut joukkolainat*) ("**covered bonds**") which are debt instruments secured by a cover pool of eligible assets ("**cover pool**"). The CBA regulates which assets can be used as collateral for the covered bonds and the quality of such assets. They are issued by credit institutions (such as the Issuer), which are authorised to engage in a mortgage credit business (*kiinnitysluottopankkitoiminta*) (each an "**issuer**").

Supervision

The Finnish Financial Supervisory Authority ("**FIN-FSA**") is responsible for supervising each issuer's compliance with the CBA and may issue regulations for risk management and internal control in respect of mortgage credit business operations. If an issuer does not comply with the provisions of the CBA or the conditions of the license granted by the FIN-FSA, the FIN-FSA shall lay down a period in which the issuer must fulfil any requirements set by the FIN-FSA. If such requirements are not fulfilled within the set period, the FIN-FSA may cancel the issuer's authorisation to engage in mortgage credit business.

As of the date hereof, the FIN-FSA has issued two regulations on mortgage credit bank operations: Regulation 6/2012 on authorisation procedure and risk management, and Regulation 7/2012 on reporting of mortgage credit bank operations.

Authorisation

Mortgage credit business is a line of banking business which involves the issuing of covered bonds on the basis of loans secured by residential or commercial real estate or, shares in Finnish housing companies or real estate companies as well as claims against public-sector entities. A credit institution must fulfil certain requirements prescribed in the CBA in order to obtain a mortgage credit licence from the European Central Bank or an authorisation from the FIN-FSA to engage in a mortgage credit business. The credit institution must, among other things, have in place suitable procedures and instruments for managing the risk entailed in holding the cover pool assets and in issuing covered bonds and also prove that it intends to engage in a mortgage credit business on a regular and sustained basis. The issuer must have put the appropriate organisational structure and resources into place. Mortgage credit banks, whose activities are exclusively restricted to carrying out a mortgage credit business, may also be authorised to issue covered bonds.

Register of covered bonds

Chapter 5 of the CBA requires the issuer to maintain a register (the "**register**") for the covered bonds and the collateral which forms the cover pool assets for the covered bonds. Any intermediary loan (see "*Intermediary Loans*" below) shall also be entered in the register. The actual entry of the covered bonds and relevant derivative transactions (as defined below) in the register is necessary to confer the preferential right in the cover pool in favour of, among other, the holders of covered bonds. Further, only assets entered in the register form part of the cover pool.

The register must list, amongst other things, the covered bonds issued by the issuer and the assets in the cover pool and derivatives transactions entered into by the issuer to hedge against the risks relating to covered bonds or their underlying collateral and recorded in the register ("**derivative transactions**") along with any loans made by the bankruptcy administrator of the issuer to secure liquidity or take out liquidity credit in accordance with Section 26 of the CBA recorded in the register ("**bankruptcy liquidity loans**") entered into on behalf of the issuer. All assets entered in the register shall rank equally as collateral for the covered bonds, unless the collateral has been entered in the register as collateral for specified covered bonds. If mortgage loans, a public-sector loan or any supplementary collateral (as defined below) is placed in the register as collateral for a particular covered bond, the register must specify the covered bond which this collateral covers. Section 22 of the CBA requires that the information shall be entered in the register no later than on the first business day following the issue of the covered bonds and information on the granting or acquisition of a mortgage loan or public-sector loan or a supplementary collateral which is placed as collateral for the covered bonds shall be entered in the register no later than one day after granting or acquiring such collateral. Any changes in such information shall be entered in the register without delay (although no specific timeframe is provided

for under the CBA). A mortgage loan or a public-sector loan shall be removed from the register when it has been fully repaid by the relevant borrower. A loan shall also be removed from the register if it can no longer be deemed to be an eligible asset (as defined below). A mortgage loan, a public-sector loan or any supplementary collateral may also be removed from the register, if, after its removal, the remaining mortgage loans, public sector loans and supplementary collateral entered in the register are sufficient to meet the requirements prescribed in the CBA. Accordingly, the cover pool is dynamic in the sense that an issuer may supplement or substitute assets in the cover pool.

The duty to maintain the register is with the issuer. The CBA contains no formal requirements for the physical form of the register. The FIN-FSA monitors the standard and form as well as the management of the register including the due and proper recording of assets. The information in the register shall be submitted to the FIN-FSA regularly.

Eligible cover pool assets

The covered bonds shall be covered at all times by a specific but dynamic cover pool of eligible assets which may consist of mortgage loans, public-sector loans and supplementary collateral ("**eligible assets**"), each as defined in the CBA as follows:

"**mortgage loans**" are housing loans or commercial property loans;

"**housing loans**" are loans secured by (i) mortgageable property for primarily residential purposes referred to in Chapter 16, Section 1 or Chapter 19, Section 1 of the Finnish Land Code (*Maakaari* 540/1995), as amended; or (ii) shares in a housing company referred to in Chapter 1, Section 2 of the Act on Housing Companies (*Asunto-osakeyhtiölaki* 1599/2009), as amended or shares comparable thereto, participations and rights of occupancy; or (iii) collateral comparable to the aforementioned collateral, situated in another State belonging to the European Economic Area;

"**commercial property loans**" are loans secured by (i) mortgageable property for commercial or office purposes referred to in Chapter 16, Section 1 or Chapter 19, Section 1 of the Finnish Land Code (*Maakaari* 540/1995), as amended; or (ii) shares of a housing company or a real estate company entitling the holder to occupancy of the commercial or office premises; or (iii) collateral comparable to the aforementioned collateral, situated in another State belonging to the European Economic Area;

"**public-sector loans**" are loans which have been granted to the Republic of Finland, a Finnish municipality or other public-sector entity which may, when calculating prudential requirements set out in Regulation (EU) No. 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms and amending Regulation (EU) 648/2012 be considered equivalent to the Finnish State or Finnish municipality or a credit which is fully collateralised by a guarantee granted by a public-sector entity or a claim on such entity; and

"**supplementary collateral**" is collateral which may include: (i) bonds and other debt obligations issued by a central government, a municipality or another public-sector entity or a credit institution (other than one belonging to the same consolidated group as the issuer); (ii) guarantees granted by a public-sector entity or a credit institution referred to in (i) above; (iii) credit insurance given by an insurance company other than one belonging to the same "group", as defined in the Finnish Act on Supervision of Finance and Insurance Groups (*Laki rahoitus- ja vakuutusryhmittymien valvonnasta* 699/2004), as amended, as the issuer; or (iv) assets of the issuer deposited in the Bank of Finland or a deposit bank; if the issuer is a deposit bank the deposit may not be in a deposit bank belonging to the same consolidated group as the issuer.

Supplementary collateral may only be used as collateral for covered bonds on a temporary basis and in the circumstances set out in the CBA (see "*Supplementary collateral*" below).

At least 90 per cent. of the total amount of collateral shall be housing loans or public sector loans or supplementary collateral unless otherwise provided for in the terms and conditions of a covered bond.

Derivative transactions concluded for hedging against risks related to covered bonds and their underlying collateral must be registered in the register and therefore constitute part of the cover pool assets.

Quality of the cover pool assets

Mortgage lending limit and valuation

Mortgage loans entered in the register as collateral for a covered bond may not exceed the current value of the shares or real estate standing as collateral. The current value shall be calculated using good real estate evaluation practice applicable to credit institutions in accordance with provisions on the management of capital adequacy and credit risk of

credit institutions issued by the FIN-FSA. The issuer shall regularly monitor the value of the shares or real estate entered as collateral for the covered bonds and revise the value of the collateral in accordance with provisions on the management of capital adequacy of credit institutions issued by the FIN-FSA.

Requirements for matching cover

The CBA seeks to protect holders of covered bonds' position by requiring that the outstanding principal amount and net present value of the covered bonds must be covered at all times by matching cover pool assets. This is achieved by Section 16 of the CBA, which provides that (a) the total value of cover pool assets must always exceed the aggregate outstanding principal amount of the covered bonds and (b) the net present value of cover pool assets must always be at least 2 per cent. above the net present value of the liabilities under the covered bonds. According to the preparatory works of the CBA (HE 42/2010), the net present value means, in respect of (a) covered bonds and (b) mortgage loans, public-sector loans and supplementary collateral, the total value of the future discounted cash flows applying the market rate of interest, prevailing from time to time.

Requirements relating to liquidity

Under Section 17 of the CBA, the issuer shall ensure that the average maturity date of the covered bonds does not exceed the average maturity date of the loans entered in the register. Further, the issuer shall further ensure that the total amount of interest accrued from the cover pool assets, during any 12-month period, is sufficient to cover the total amount payable to the holders of covered bonds as interest and to the counterparties of derivative transactions as payments under such derivative transactions. Before the commencement of liquidation or bankruptcy proceedings against the issuer or a debtor of an intermediary loan, a mortgage credit bank may, in respect of collateral granted by a debtor of an intermediary loan, treat the interest payments on the intermediary loans as being the interest accrued from such collateral.

Determination of requirements under Sections 16 and 17 of the CBA

To determine the value of the cover pool assets in order to provide the matching cover required by Sections 16 and 17 of the CBA, the issuer shall only take into account:

- (1) an amount not exceeding 70 per cent. of the current value of the shares or real estate placed as collateral for any housing loan;
- (2) an amount not exceeding 60 per cent. of the current value of the shares or real estate placed as collateral for any commercial property loan; and
- (3) the book value of any public-sector loans and supplementary collateral.

Loans that have been entered in the register which must be booked as non-performing loans at the time of review of such loans in accordance with the regulations issued by the FIN-FSA, shall no longer be included as cover pool assets in calculating the matching cover.

Derivative transactions concluded in order to hedge the covered bonds and any assets provided as collateral for the derivative transactions shall be taken into account for the purposes of Sections 16 and 17 of the CBA.

Supplementary collateral

Up to 20 per cent. of the aggregate amount of all assets constituting the statutory security for the covered bonds conferred by the CBA may temporarily consist of supplementary collateral, **provided that** receivables from credit institutions shall not exceed 15 per cent. (or such larger amount as may be approved by the FIN-FSA on the application of the issuer for a specific reason and for a specified period of time) of the total amount of collateral. Supplementary collateral may temporarily be used in situations where (i) mortgage loans or public-sector loans have not yet been granted or registered as collateral for the covered bonds; or (ii) the total amount of collateral does not fulfil the provisions provided for in Sections 16 and 17 of the CBA.

Intermediary loans

The CBA allows deposit banks and credit societies to participate indirectly in the issue of covered bonds by means of intermediary loans granted by a mortgage credit bank to such institutions. The intermediary loan shall be entered in the register but shall not be calculated into the cover pool assets of the covered bonds. In addition the debtor of the intermediary loan shall provide collateral in the form of mortgage loans and public-sector loans to be registered in the

register as security for the covered bonds of the mortgage credit bank. The total priority value of such loans in the cover pool shall always exceed the principal amount of the intermediary loan. Upon the liquidation or bankruptcy of the issuer the estate of the issuer will be entitled to collect any proceeds from such loans and enter such proceeds in the register as security for the covered bonds. Moreover, the issuer's estate may demand a transfer of title of the loans to the estate or a named third party.

Derivatives

The issuer may enter into derivative transactions to hedge against the risks relating to covered bonds or their underlying collateral. Details of any such derivative transactions must be entered in the register and registered derivatives will hence form part of the cover pool.

Set-off

A creditor of the issuer may not set-off its claim against mortgage loans or a public-sector loan entered in the register if it is within the scope of the priority of payment of the holders of covered bonds as provided for in Section 25 of the CBA nor against an intermediary loan. This restriction on set-off would apply (among other) to deposits in bank accounts.

Prohibition on transfers, pledges, execution and precautionary measures

The issuer or the debtor under an intermediary loan may not, without the permission of the FIN-FSA, assign or pledge mortgage loans or public-sector loans, which are included in the cover pool assets. A mortgage credit bank may not assign or pledge any intermediary loan without the permission of the FIN-FSA. An assignment or pledge violating such prohibition shall be void.

Mortgage loans, a public-sector loan or any supplementary collateral entered in the register as collateral for a covered bond or an intermediary loan may not be taken in execution for a debt of an issuer, a deposit bank or a credit entity, nor may precautionary measures be directed at it.

Preferential right in the event of liquidation or bankruptcy

Under Finnish law, "*selvitystila*" (or liquidation in English) means either a voluntary winding up of a company or a winding up pursuant to specific provisions of Finnish law and "*konkurssi*" (or bankruptcy in English) means the mandatory winding up of a company in the event of its insolvency.

Under Section 25 of the CBA, notwithstanding the liquidation or bankruptcy of the issuer, a covered bond shall be paid until its maturity in accordance with the terms and conditions of the covered bond from the funds accruing on the cover pool assets of the covered bond before other claims. The funds accruing from collateral for covered bonds after the commencement of liquidation or bankruptcy proceedings against the issuer shall be entered in the register as collateral for such covered bonds. In bankruptcy proceedings, the bankruptcy administrator must ensure due maintenance of the register.

Collateral entered in the register in accordance with the CBA may not be recovered pursuant to Section 14 of the Finnish Act on Recovery of Assets to a Bankruptcy Estate (*Laki takaisinsaannista konkurssipesään* 758/1991), as amended.

In respect of mortgage loans included in the cover pool for a covered bond, the priority of payment right in accordance with Section 25 of the CBA is limited to a maximum amount which corresponds to 70 per cent. in respect of housing loans and to 60 per cent. in respect of commercial property loans of the current value of shares or real estate which stand as collateral for the loan as entered in the register at the time of commencement of liquidation or bankruptcy proceedings against the issuer. Under the CBA, funds accruing from the cover pool after the commencement of liquidation or bankruptcy shall be entered in the register and constitute part of the cover pool. The bankruptcy administrator shall, nonetheless, assign the share of payments out of any mortgage loans exceeding the preferential right to the general bankruptcy estate, except in the case of non-performing mortgage loans which would primarily be within the scope of the preferential right. According to the preparatory works of the CBA, payments deriving from mortgage loans to be booked as non-performing and proceeds from disposal of loans or enforcement of collateral shall, nonetheless, be firstly used for payment of covered bonds up to their preferential portion.

What is set out above in respect of Section 25 of the CBA applies *mutatis mutandis* to the counterparties of the derivative transactions entered in the register and to the providers of bankruptcy liquidity loans. These parties have an equal right with the holders of the covered bonds to payment from the funds, entered in the register as collateral for the

covered bonds, and from the payments relating to them, and accordingly, such derivative transactions and bankruptcy liquidity loans rank *pari passu* with the covered bonds with respect to such cover pool assets.

The bankruptcy administrator may, upon the demand or with the consent of the supervisor appointed by the FIN-FSA (see "*Management of cover pool assets during the liquidation or bankruptcy of the issuer*"), transfer collateral entered in the register to the issuer's general bankruptcy estate, if the value and the net present value of the cover pool, as provided for in Section 16 of the CBA, considerably exceed the total amount of the covered bonds and it is apparent that the collateral to be transferred shall not be necessary to fulfil the obligations in respect of the covered bonds, derivative transactions and bankruptcy liquidity loans.

Management of cover pool assets during the liquidation or bankruptcy of the issuer

When the issuer has entered into liquidation or bankruptcy proceedings, the FIN-FSA shall, without delay, appoint a supervisor in accordance with Section 29 of the Finnish Act on the Financial Supervisory Authority (*Laki Finanssivalvonnasta* 878/2008), as amended to protect the interests of creditors of covered bonds and creditor entities comparable to such and to enforce their right to be heard (a "**supervisor**"). The supervisor shall, in particular, supervise the management of the collateral for the covered bonds and their conversion into cash as well as the contractual payments to be made to the holders of the covered bonds. The person to be appointed as supervisor shall have sufficient knowledge of financing and legal issues with regard to the nature and scope of the duties.

In bankruptcy proceedings the courts will by operation of law appoint a bankruptcy administrator to administer the bankruptcy estate. The cover pool will be run by the bankruptcy administrator, but the supervisor will supervise the bankruptcy administrator, acting in the interest of the holders of the covered bonds. Under Section 26 of the CBA, a bankruptcy administrator shall, upon the demand or with the consent of the supervisor, conclude derivative transactions necessary for hedging against risks relating to covered bonds and the relevant collateral as well as, where necessary, sell a sufficient amount of collateral for the covered bond in order to fulfil the obligations relating to the covered bond. In addition, a bankruptcy administrator shall, upon the demand or with the consent of the supervisor, have a right to conclude contractual arrangements to secure liquidity or take out bankruptcy liquidity loans.

Funds which accrue on the collateral for covered bonds after the commencement of liquidation or bankruptcy of the issuer and the bank accounts related to the collateral and its income shall be entered in the register. Correspondingly, a bankruptcy liquidity loan taken under Section 26 of the CBA and each bank account into which any such funds are deposited shall be entered in the register.

The bankruptcy administrator may, with the permission of the FIN-FSA, transfer the liability for a covered bond and the corresponding collateral to another mortgage credit bank, deposit bank or credit entity that has acquired a licence to issue covered bonds or to a foreign mortgage credit bank which is subject to supervision corresponding to that of the CBA, unless the terms of the covered bond provide otherwise.

A bankruptcy administrator has the right to terminate or transfer a derivative transaction to a third party on the demand or with the consent of the supervisor, **provided that** the collateral is transferred or converted into cash, or a right to transfer collateral to the counterparty in the derivative transaction when the interests of the holder of the covered bonds demands such and it is reasonable from the perspective of risk management.

If the requirements for the cover pool of the covered bonds, as provided for in Sections 16 and 17 of the CBA, cannot be fulfilled, the bankruptcy administrator must, upon the request or approval of the supervisor, accelerate the covered bonds and sell the cover pool assets in order to pay the covered bonds.

Management of cover pool assets upon the liquidation or bankruptcy of the debtor of an intermediary loan

When the debtor of an intermediary loan has entered into liquidation or bankruptcy proceedings, the FIN-FSA shall without delay appoint a supervisor to protect the interests of the holders of covered bonds issued by the issuer, standing as the creditor of the intermediary loan and will have a right to enforce the holders' right to be heard. The supervisor must, in particular, supervise the management of the collateral for covered bonds and its conversion into cash as well as oversee the contractual payments to be made to the holders of covered bonds and other parties comparable to such holders. Notwithstanding the liquidation or bankruptcy of the debtor of the intermediary loan, the issuer's obligations under the covered bond must be paid for the full term of the covered bond, in accordance with its contractual terms, from the collateral entered in the register before other claims can be met, following, where applicable, what is provided for in Section 25 of the CBA in respect of payment priority.

When the debtor of the intermediary loan is in liquidation or bankruptcy, the bankruptcy administrator shall upon the supervisor's demand or with his consent:

- (1) sell to the issuer the mortgage loans or public-sector loans, included in the collateral of its covered bond, in such a manner that the substitute claim is set-off partially or wholly against the claim under the intermediary loan of the issuer; or
- (2) if necessary, sell to a third party a sufficient amount of collateral for a covered bond, to comply with its obligations under the covered bond.

USE OF PROCEEDS

The net proceeds of the issue of each Series of Covered Bonds, as the case may be, will be used for the general banking and other corporate purposes of Nordea Mortgage Bank Plc. If, in respect of any particular issue, there is another or a particular identified use of proceeds this will be stated in the applicable Final Terms or Pricing Supplement.

THE NORDEA GROUP

Overview

The Nordea Group is a large financial services group in the Nordic markets (Denmark, Finland, Norway and Sweden) measured by total income with additional operations in Russia, Estonia, Latvia, Lithuania and Luxembourg, as well as branches in a number of other international locations.

The Nordea Group's parent company, Nordea Bank AB, is a public Swedish limited liability company incorporated under Swedish law. Nordea Bank AB's shares are listed and traded on the Stockholm, Copenhagen and Helsinki stock exchanges. The Nordea Group's head office is located in Stockholm at Smålandsgatan 17, SE-105 71 Stockholm, Sweden.

As at 31 December 2015, the Nordea Group's assets totalled EUR 647 billion and tier 1 capital EUR 26.5 billion. As of the same date, the Nordea Group had approximately 11 million customers across the markets in which it operates, of which approximately 10.2 million are household customers and 0.6 million are corporate and institutional customers in the Nordic markets.

As of 31 December 2015, the Nordea Group had approximately 650 branch office locations. In addition, the Group has a very large number of telephone and Internet customers.

In addition, the Nordea Group acts as an asset manager within the Nordic region with EUR 288.2 billion in assets under management as at 31 December 2015. The Nordea Group also provides life insurance products.

The Formation of the Nordea Group

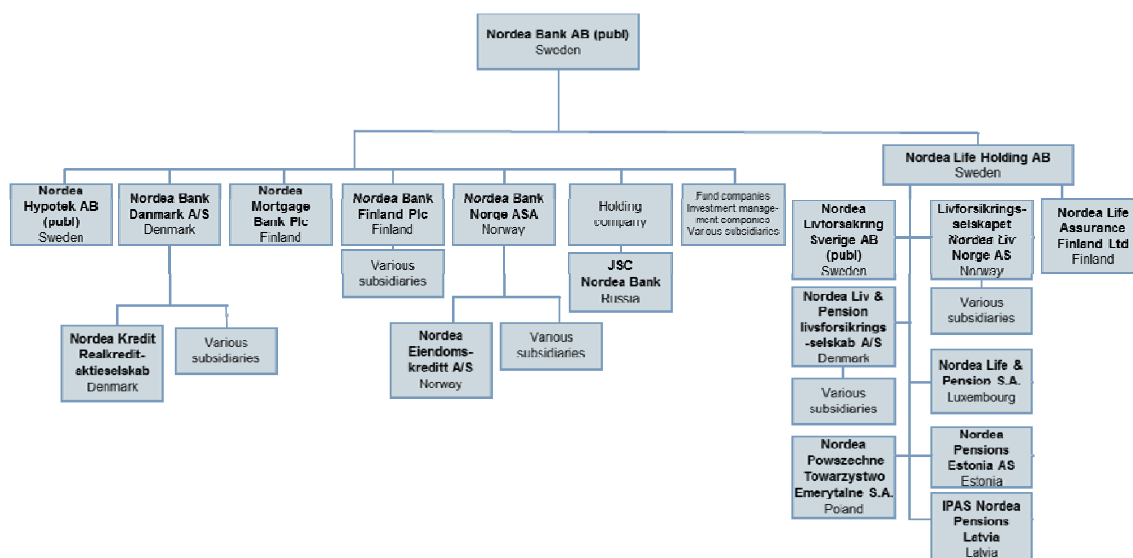
The Nordea Group was created through international mergers among four large Nordic financial institutions which gradually resulted in the creation of a single unit. Nordea's predecessors were Nordea Bank Sverige AB (publ) (formerly Nordbanken AB (publ)) in Sweden ("**Nordea Bank Sverige**"), which, on 1 March 2004, merged with the Group's parent company and underwent a change of name to Nordea Bank AB (publ); Nordea Bank Danmark A/S (formerly Unibank A/S) in Denmark ("**Nordea Bank Danmark**"); Nordea Bank Finland Plc (formerly Merita Bank Abp) in Finland ("**Nordea Bank Finland**"); and Nordea Bank Norge ASA (formerly Christiania Bank og Kreditkasse ASA) in Norway.

After the Group's parent company had adopted the name Nordea Bank AB (publ) at the end of 2000, the name "Nordea" was gradually introduced within the Group and, by December 2001, the banks and branch offices within the Group had adopted the name Nordea.

Legal Structure

To improve operating capacity, reduce risk exposure and enhance capital efficiency, Nordea Bank AB's Board of Directors initiated a change in the Group's legal structure in June 2003. The internal restructuring commenced in 2003 when Nordea Bank AB, the parent company of the Nordea Group, acquired Nordea Bank Sverige AB (publ), Nordea Bank Danmark A/S ("**Nordea Bank Denmark**") and Nordea Bank Norway from Nordea Bank Finland. At the same time, Nordea Bank AB also acquired Nordea North America, Inc. from Nordea Bank Finland. Following these transactions, Nordea Bank AB was established as a bank and its name was changed to Nordea Bank AB. Thereafter, Nordea Bank Sverige merged with Nordea Bank AB. The merger was registered with the Swedish Patent and Registration Office (currently the Swedish Companies Registration Office) on 1 March 2004.

The following chart sets forth the general legal structure of the Nordea Group as of 1 October 2016.



Nordea Bank AB (the parent of the Nordea Group) has foreign branches in Norway, Finland, Denmark, the Baltic countries, Poland, China, Germany and the United Kingdom.

On 4 February 2016, Nordea Bank AB announced that the Board of Directors of Nordea Bank, together with each of the boards of directors of Nordea Bank Danmark, Nordea Bank Finland and Nordea Bank Norway, had signed cross-border merger plans (together, the "**Merger Plans**"). Nordea Bank AB also announced that its Board of Directors was proposing to Nordea Bank AB's 2016 general meeting of shareholders that it resolves to approve the Merger Plans. The general meeting of Nordea Bank AB (publ)'s shareholders approved the Merger Plans on 17 March 2016. The Merger Plans were entered into with the aim to change Nordea Bank AB's Norwegian, Danish and Finnish subsidiary banks to branches of Nordea Bank AB by means of cross-border mergers (the "**Mergers**"). The objective of the Mergers is to simplify the legal structure of the Nordea Group in order to strengthen corporate governance, decrease administrative complexity and enhance efficiency.

The Merger Plans were approved by the SFSA on 17 May 2016. As of the date of this Base Prospectus, the proposed changes in the legal structure of the Nordea Group remain subject to other regulatory approvals, a satisfactory outcome of the discussions with authorities and that the Mergers are not impeded, wholly or in part, by applicable laws or any other reason deemed significant by the Board of Directors of Nordea Bank. Nordea Bank believes that the key risks to completion of the Mergers are the many external dependencies, including dependencies on the regulatory supervisors and tax authorities. As of the date of this Base Prospectus, Nordea Bank AB expects the Mergers to take place by early 2017. See also "*Risk Factors— Risks Relating to the business of the Issuer—There are risks and uncertainties associated with the proposed cross-border subsidiary mergers.*"

It is however Nordea Bank AB's firm belief that the long-term benefits of operating through branches will outweigh the costs and Nordea Bank AB will going forward have a special focus on ensuring a level playing field in the Nordics.

The Nordea Group's Organisation

Overview

The Nordea Group's organisational structure is built around four main business areas: Personal Banking, Commercial and Business Banking, Wholesale Banking and Wealth Management. In addition to the business areas, the Nordea Group's organisation includes the following four Group functions: Group Corporate Centre, Group Finance & Business Control, Group Risk Management, Group Compliance, Chief of Staff Office and Group HR.

In the Nordea Group's organisation, all parts of the value chains, namely customer responsibility, support, products, staff and IT development, have been incorporated into the three main business areas with the objective to improve efficiency, increase return on equity and deepen customer relationships. By organising the business areas around value chains, Nordea Bank AB believes that the responsibilities for creating efficiencies will be clearer and that the Nordea Group will be able to respond to new regulatory and investor demands in a more agile manner. The four main business areas are designed to support the relationship strategy for each specific customer segment. Having one operating model and an end-to-end value chain aims to ensure optimal delivery, increasing time spent with customers and reducing the time required to bring new products and services to the market.

Of the Nordea Group's business areas, Personal Banking (PeB) serves Nordea's household customers. The business area includes advisory and service staff, channels and product units under a common strategy, operating model and governance across markets. Personal Banking includes the units Customer channels – Personal Banking Denmark, Personal Banking Finland, Personal Banking Norway, Personal Banking Sweden and Digital Banking, Products, Strategy & development; and COO Personal Banking.

Commercial and Business Banking serves Nordea's corporate customers and includes the units Customer segments – Commercial Banking and Business Banking, Transaction Banking, Corporate Strategy & Development, Digital Banking; and COO Commercial & Business Banking.

Wholesale Banking provides services and financial solutions to Nordea's largest corporate and institutional customers. Customers are served through a pan-Nordic platform complemented by selected international branches. The business area provides its customers with products and services within corporate banking, cash management and trade finance services, investment banking and capital markets products. The Wholesale Banking business area includes the business units Corporates & Investment Banking, Nordea Bank Russia, Fixed Income Currency & Commodities, Equities and Core functions, including Wholesale Banking COO.

Wealth Management provides investment, savings, life insurance and risk management products. Customers are served through various channels including a pan-Nordic Private Banking platform complemented by an International Private Banking unit. The business area manages customers' assets and gives financial advice to affluent and high net worth individuals as well as institutional investors. Wealth Management includes the units Private Banking, including Private Banking Denmark, Finland, Norway, Sweden and International, Asset Management, Life & Pensions, Savings & Wealth Offerings, Business Development and Operations.

Group Corporate Centre (GCC) provides strategic frameworks, common infrastructure and processes for the Group. Group Corporate Centre supports Nordea Group within capital models, balance sheet management and investor relations. Through the COO organisation Group Corporate Centre is also responsible for fully implementing one operating model by harmonising processes and services and supporting simplification, IT and compliance activities across the Group. Group Corporate Centre consists of Group COO organization, COO Group Functions, COO Project Management Office, Group Simplification, Business Transformation, Regulatory Change Management and Group IT, Group Treasury and Asset & Liability Management and Investor Relations.

Group Finance & Business Control provides financial reporting frameworks for the Group and includes Group Reporting, Group Business Control & Reporting, Group Financial Management, Group Valuation Control and Management Office.

Group Risk Management is a Group function that manages and monitors all aspects of risks, including credit, market or operational risk. Group Risk Management includes Group Credit Risk, Group Market and Counterparty Credit Risk, Group Operational Risk, Group Credit & Financial Reporting Control, Group Recovery & Resolution Planning and Group Strategic Risk Management and Analysis.

Group Compliance includes the units supporting each Business Area and Group Function, Compliance Operations, Financial Crime and Monitoring.

Group HR is responsible for group-wide strategic partnering, support and service in all HR matters and includes the units HR in Denmark, Finland, Norway and Sweden, Staffing, HR Core, Compensation & Benefit, Leadership, Performance Management and Talent Management.

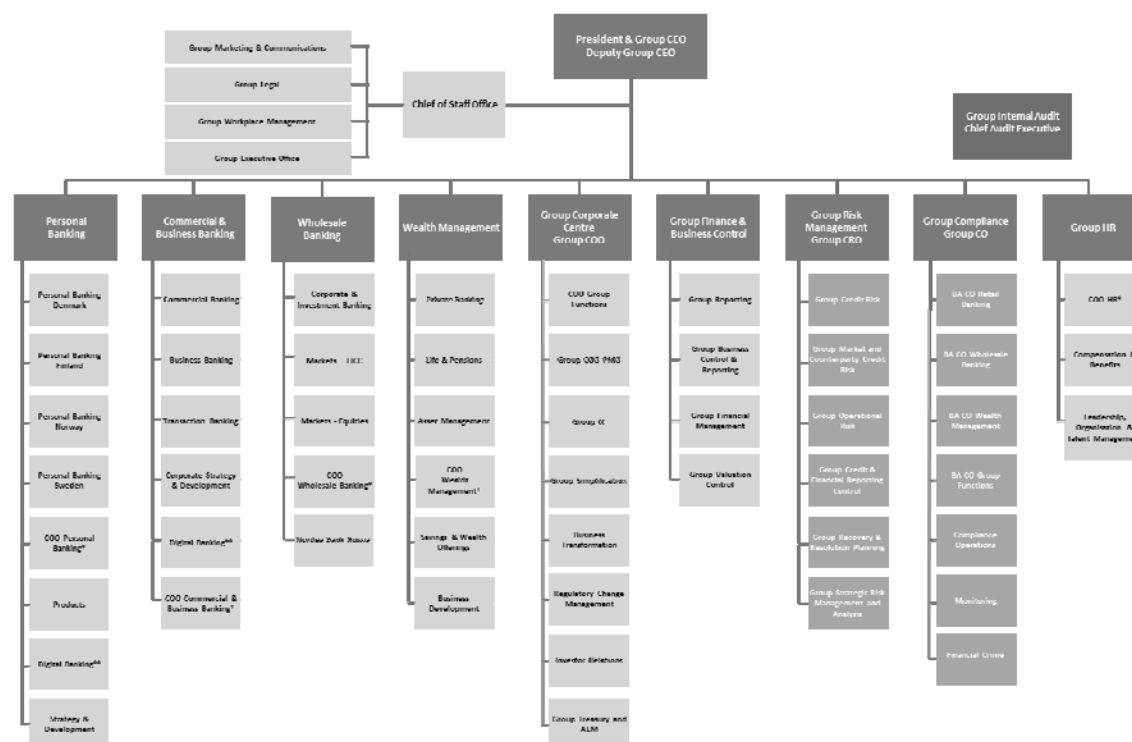
Chief of Staff Office is a common organisation for centralised group-wide functions delivering key and strategic services across the whole Group. Chief of Staff Office provides services related to legal advice, marketing and communication, facility management and executive management support. Chief of Staff Office includes the units Group Marketing & Communications, Group Executive Office, Group Legal and Group Workplace Management.

Business Areas

At the core of the Nordea Group's strategy is segmentation of customers and differentiating both value proposition and resource allocation according to customer needs. The Nordea Group's customer activities are organised around two major customer groups: household customers and corporate customers. With both its household customers and corporate customers, the Nordea Group seeks to build long-term banking relationships and to become a lifetime financial partner by gaining an understanding of the customers' specific product and service needs and by offering products and advice tailored to meet those requirements.

To serve its household customers and corporate customers, the Nordea Group has divided its operations into four main business areas, Personal Banking, Commercial and Business Banking, Wholesale Banking and Wealth Management. The business areas each comprise a number of business units which operate as separate profit units.

The following chart sets forth the Nordea Group's organisation.



^a Equal reporting to Group CEO
^b Equal reporting to Head of Personal Banking and Head of Commercial & Business Banking

Personal Banking

Of the Nordea Group's business areas, Personal Banking serves Nordea's household customers. The business area includes advisory and service staff, channels and product units under a common strategy, operating model and governance across markets. Personal Banking includes the units Customer channels – Personal Banking Denmark, Personal Banking Finland, Personal Banking Norway, Personal Banking Sweden and Digital Banking, Products, Strategy & development; and COO Personal Banking.

Within Personal Banking, the Nordea Group operates through a multitude of channels in the household customer segment to ensure that household customers can access the bank when and how it suits them. To cater for the changing customer needs and preferences, the Nordea Group is continuously strengthening its online offerings. The Nordea Group's goal is to build broad and deep relationships with its customers online. The ambition is to create online solutions for those personal customers who want a full-service solution. In addition, the Nordea Group is working to simplify and digitise the key processes and products. Through the Nordea Group's common customer relationship system, the multitude of channels is integrated so that customer interaction in one channel is simultaneously recorded in all other channels. The Nordea Group segments its customers to provide the best service, advice and product solutions to customers, thereby aiming to ensure loyalty, brand value and increasing business and income.

Commercial and Business Banking

Commercial and Business Banking serves Nordea's corporate customers and includes the units Customer segments – Commercial Banking and Business Banking, Transaction Banking, Corporate Strategy & Development, Digital Banking; and COO Commercial & Business Banking.

In the Nordic markets, Commercial and Business Banking divides its corporate customers further into three cross-country corporate segments based on their business potential and the complexity of their banking needs. The three segments are Commercial Banking, Business Banking and Business Banking Direct, Nordea has developed a distinct

value proposition, including contact policy, service level and product solutions, for each segment to provide comprehensive offerings and ensure "house bank" relationships.

Wholesale Banking

Wholesale Banking provides financial solutions to large Nordic and international corporate and institutional customers. The offering includes a diverse range of financing, investment banking and capital markets products and securities services. The mission of the Wholesale Banking business area is to provide strong relationship and product offerings to the largest Nordic corporate and institutional customers of the Group. Nordea Bank Russia is also part of Wholesale Banking. The Wholesale Banking business area aims to ensure integration of the value chain from customer units through product, support and IT units.

Nordea Bank AB believes that its strategy for the largest corporate customers has proven robust during the ongoing transformation of the banking industry. Nordea Bank AB further believes that the Nordea Group's local sales organisations combined with a global production platform enable it to capitalise on the benefits of relationship banking and economies of scale. The relationship strategy provides the Nordea Group with a deep knowledge of its customers and their industries, which allows Wholesale Banking to strengthen its customer offerings.

The Wholesale Banking business area includes the business units Corporates & Investment Banking, Nordea Bank Russia, Fixed Income Currency & Commodities, Equities and Core functions, including Wholesale Banking COO.

Corporates & Investment Banking

Corporates & Investment Banking is a customer-responsible organisation serving the largest corporate and institutional customers. Corporates & Institutions consist of four individual divisions, covering each of the Nordic countries (C&IB Denmark, C&IB Finland, C&IB Norway and C&IB Sweden), and International Division (five branches located in New York, London, Frankfurt, Shanghai and Singapore and two representative offices located in Sao Paolo and Beijing). In addition, C&IB includes the units Advisory, Debt Capital markets, Financial Institutions Group and Shipping, Offshore & Oil Services. The C&IB divisions serve corporate and institutional customers with a strong customer centric focus through the Nordea Group's Wholesale Banking Customer Service Model.

In the Wholesale Banking Customer Service Model, the customer units and product units have joint ownership and responsibility for maintaining and developing profitable customer relationships. The customer-responsible unit has the overall responsibility for the customer relationship, including customer profitability and credit risk. Product units are responsible for the sales, delivery, profitability and inherent (operational) risks of their products. Corporate and institutional customers are offered tailored solutions and the full range of financial services by the Nordea Group, such as loans, deposits, cash management services, project finance, export and trade finance, corporate finance and capital markets products. In addition to Nordic corporate and institutional customers, Corporates & Institutions is also responsible for the corporate part of the Nordea Group's international business.

Nordea Bank Russia

Nordea Bank Russia offers bank services to corporate customers. Corporate customers of Nordea Bank Russia include leading Russian, Nordic and international companies operating in Russia. Nordea Bank Russia offers account and cash services, cash management, lending, trade and project finance, leasing and factoring, deposit taking and bank card services. In 2015, the strategy for the Russian operations was sharpened with focus on the largest Russian corporates and Nordic international companies. New mortgage lending was ceased and operations were streamlined accordingly. In addition, a more selective approach for all new businesses was applied. A dominant portion of Nordea Bank Russia's business is conducted from the offices in Moscow and St. Petersburg, where the majority of the employees are located.

Markets — Equities and FICC

The Nordea Group runs what it believes is the leading capital markets and investment banking operation in the Nordic region. Capital Markets is responsible for handling trading, research and sales within areas such as foreign exchange, fixed income, equities, structured products, debt capital markets and corporate finance, offering its products to all Nordea customer segments.

Capital Markets is a customer driven franchise where the trading activities are driven by the management of the risk inherent in customer transactions, with no proprietary trading. Capital Markets consist of three main divisions: Fixed Income, Currency & Commodities ("**FICC**"), Investment Banking and Equities located primarily in the Nordic capitals. Markets FICC offers risk management products but also intermediation of credit and capital through, among other things, repurchase agreements and securities lending.

Wealth Management

Wealth Management provides high quality investment, savings and risk management solutions, manages the Nordea Group's customers' assets and advises affluent and high-net-worth individuals as well as institutional investors on their financial situation. The vision of Wealth Management is to become the leading wealth manager in the Nordic region, with global reach and global capabilities. Wealth Management strives to form strong client relationships, based on high quality of advice and solutions, delivered efficiently through an integrated value chain. The Wealth Management business area consists of three primary areas, Asset Management, Life & Pensions and Private Banking.

Asset Management is responsible for investment management and investment funds within the Nordea Group and also for serving institutional clients and third-party distributors with investment products. The products are delivered to both household customers and corporate customers, including institutional clients. The product range comprises investment funds and discretionary mandates within all asset classes but with the majority within actively managed equity, fixed income and balanced products.

Life & Pensions provides life insurance, pension products and services in eight countries in Europe. Life & Pensions serves both the individual and corporate segments with traditional as well as unit-linked products. The operations are conducted in legal entities wholly owned by Nordea Life Holding AB while the customers are served through banking branches, Life & Pensions' own sales force or via tied agents, brokers and to a small extent other financial institutions.

Private Banking advises wealthier customers of Nordea Group on all aspects of their financial situation. The Nordea Group operates its Private Banking business through an integrated model with Retail Banking. In addition to its Nordic Private Banking operations, the Nordea Group engages in international Private Banking operations that are targeted to both customers of a Nordic origin domiciled outside the Nordic region and international customers of non-Nordic origin.

Wealth Management additionally consists of the units Savings & Wealth Offering that is responsible for the savings product offering to Nordea's Retail and Private Banking customer, External Products that is responsible for externally managed products, Operations that is responsible for operational processes including IT and processing for regulatory requirements, and Business Development that is responsible for project management, communications, human resources and planning and control.

Group Corporate Centre, Group Finance & Business Control, Group Risk Management and Group Compliance

Within the Nordea Group, four units, namely, Group Corporate Centre, Group Finance & Business Control, Group Risk Management and Group Compliance, are primarily responsible for risk, capital, liquidity and balance sheet management.

Group Corporate Centre

Group Corporate Centre is a Group function providing strategic and financial frameworks and processes as well as professional services and advice within their area of expertise. Group Corporate Centre aims to ensure that Nordea Bank AB operates with an adequate strategy and portfolio composition. Group Corporate Centre is also responsible for the measurement and analysis relating to performance as well as capital and liquidity management of the Nordea Group. Group Corporate Centre directly contributes to the Nordea Group's results by providing capital and funding and proprietary trading.

Group Finance & Business Control

Group Finance & Business Control was organised as a separate Group Function in 2016 and is responsible for securing adequate processes relating to financial reporting. Group Finance & Business Control includes Group Reporting, Group Business Control & Reporting, Group Financial Management and Group Valuation Control.

Group Risk Management

Group Risk Management manages and monitors all aspects of risk, including credit, market or operational risk. Group Risk Management develops risk models, credit policies, credit processes and IT tools that support business areas and other business units within the Nordea Group together with efficient processes and prudent risk management.

Group Compliance

Group Compliance coordinates, facilitates and oversees the effectiveness and integrity of the Nordea Group's compliance risk management. Group Compliance comprises the compliance functions in business areas and group functions. It includes the units led by the Compliance Officers in each of Personal Banking, Commercial and Business Banking, Wholesale Banking and Wealth Management and Group Functions as well as the Compliance Operations, Compliance Monitoring and the Nordea Group's financial crime change programme.

Strategy

The Nordea Group is a universal banking group with a relationship strategy centered on its customers and advisory capabilities. The Nordea Group's strategic direction is primarily driven by, and reflective of, the needs of its customers and the challenging macroeconomic and regulatory environment in which the Nordea Group and its customers operate. The Nordea Group strives to provide excellent customer experiences and holistic financial solutions in a low risk, efficient and diversified manner. In operational terms, during the past years, the Nordea Group has had a clear focus on constantly improving its cost and capital efficiency in order to maintain a sustainable operating model, secure competitive offerings and remain a solid banking institution. By serving the customers and fine-tuning its business, Nordea Bank AB believes that the Nordea Group can further develop its low risk focused and stable franchise, providing access to funding at competitive price levels and delivering on its target for the years 2016 to 2018 of return on equity above the Nordic peer weighted average. Nordea Group will continue to evolve into "One Nordea" and deliver the future relationship bank model through strengthened culture and consistent execution focusing on the following four areas:

- ***clear customer vision***, meeting customer needs with a constant focus as being considered easy to deal with, relevant and competent, anywhere and anytime and where the personal and digital relationship makes Nordea Bank AB a safe and trusted partner.
- ***common way of working***, the Nordea Group's four main business areas' value chains are designed to support the focused relationship strategy and Nordea Bank AB believes that having one operating model and business area ownership of the end-to-end value chain ensures a comprehensive view, accountability and congruity, and it also safeguards operational efficiency by improving the quality of customer relationships, increasing the time spent with customers and reducing the time required to bring new products and services to market.
- ***simplification of common systems***, to deliver excellent customer experiences in the face of digitalisation, changing customer behaviour and increased operational regulations, Nordea Bank AB believes that the Nordea Group will need to become more agile and realise the full potential of scale while ensuring continued resilience; to do so, the Nordea Group will continue to adopt and develop best practices and strive for transparency and reduced complexity in products and processes; to achieve these goals the Nordea Group has launched a programme and investments to make the transition to a new core banking platform, a new payment platform, and a Group common data warehouse.
- ***common values***, clear values and principles are reflected in the objectives and incentives that are set within the Nordea Group, and how managers lead, develop and support people; values and leadership are the strongest drivers of performance and corporate culture. Nordea Bank AB believes that the pan-Nordic platform of the Nordea Group with scalability, superior Nordic distribution power with global capabilities and actively managed business portfolio and focus on low volatility will continue to create significant value for all stakeholders.

Main Strategic Priorities

Trust and Responsibility

Nordea Bank AB will continue and further strengthen its focus on compliance, and emphasis on implementing new rules and regulation quickly, and thereby making it possible to capture the benefits of the compliance-related investments, also in the form of a deeper understanding of the Nordea Group's customers and risks.

Cost and Capital Efficiency

In 2013, the Nordea Group introduced an efficiency plan that, after adjustment in 2014, targeted a 5 per cent. reduction in cost between 2013 and 2015. The Nordea Group achieved this by streamlining its physical distribution network, re-directing standardised banking transactions to online and mobile channels and optimising the advisory offering in the

branches. Initiatives to increase operational efficiency through centralisation of support functions, automation of processes and transformation of premises were also important elements of the efficiency plan.

Nordea Bank AB believes that the current low-growth environment has accelerated the need for strict cost discipline in order for the Nordea Group to remain competitive in serving its customers. The Nordea Group is therefore targeting a less than 1 per cent. average annual cost increase for the years 2016 to 2018 (compound annual growth rate, excluding currency effects and performance related salaries and based on a cost base of approximately EUR 4.7 billion in 2015). The Nordea Group aims to achieve this by, among other things, continued branch optimisation with removal of manual cash handling and by simplifying and automating services, processes and products. Furthermore, IT and consultancy tasks will to a greater extent be insourced.

Digitalisation

Digitalisation is one of the main drivers for change in banking as well as in many other industries. Customer preferences and expectation on accessibility, easiness and personalisation are key reasons behind this development. The Nordea Group has seen and continues to see a rapid increase in customer demand for mobile solutions. For example, transactions that were traditionally handled through branches are now available to customers on a 24/7 basis through mobile banking. More and more advisory meetings are now also being conducted online.

In order to generate a truly digital bank, the Nordea Group will execute a transformational change agenda during the years 2016 to 2018. This change agenda is driven by changed customer behaviour, a shift in technology and regulatory requirements. The Nordea Group will initiate certain key activities to manage the transition efficiently, which led to a restructuring charge of EUR 263 million in the fourth quarter of 2015 related to staff, premises and selected international units. Examples of these transition activities include the shift from physical to digital distribution and the establishment of e-branches, a focusing of customer coverage across Europe to further leverage resources and competencies in the Nordic region (except for the cash equities, private banking and asset management franchise) and costs related to the shift of competencies to support the digital transformation and compliance. The restructuring charge also covers current activities to decrease the number of head office locations and to relocate head office premises outside of central business districts. These activities will be carried out during 2016 and 2017 and are expected to begin to deliver efficiencies in late 2016. As substantial investments will be carried out also in 2017 and 2018, net cost reductions are expected to begin to materialise from 2019.

Simplification

Nordea Bank AB believes that the rapid change in customer preferences towards using online and mobile solutions, as well as the increasing operational regulation, is transforming the banking industry. To enable development of even more personalised and convenient services to the customers in the future, the Nordea Group is currently simplifying parts of its operations. In line with this strategy, the Nordea Group will build new core banking and payment platforms and a Group common data warehouse, with the aim of significantly increasing agility, scale benefit and resilience and reducing complexity. Vendors have been selected and developments are underway in all of these areas with first operational deliveries expected in the first half of 2016. The simplification programme will be implemented gradually with ongoing deliveries over the next four to five years.

Household and Corporate Relationships

The Nordea Group's relationship strategies are divided into a household relationship strategy and a corporate relationship strategy. Both of these strategies focus on constantly acquiring new relationship customers and identifying cross-selling opportunities with the goal of providing additional services to customers and increasing ancillary income.

Household Relationship Strategy

Household customers are divided into four segments based on their business with the Nordea Group. For each segment, the Nordea Group has developed a value proposition, including contact policy, service level, pricing and product solutions. The core philosophy of this strategy is to provide the best service, advice and product solutions to customers and thereby to ensure loyalty, brand value and increase business and income. The Nordea Group's household pricing is transparent and generally non-negotiable. Nordea Bank AB believes that the Nordea Group has a broad and competitive product range and strong distribution power. Product development is geared at reducing complexity and developing products that are capital efficient in order to meet both the demands of customers and regulatory requirements. The Nordea Group's savings product offering is designed to take account of customers' wealth, their level of involvement, stage of life and risk appetite.

The Nordea Group pursues a multichannel distribution strategy, aiming to improve customer satisfaction while reducing the cost of serving. Proactive contact with customers is conducted by local branches and contact centres, and through online services and the mobile bank. The Nordea Group aims at having recurring advisory meetings with all existing and potential relationship customers, taking their entire finances, risk/return profiles and long-term objectives into account in order to provide a comprehensive financial solution.

Corporate Relationship Strategy

Corporate customers comprise four segments based on their business potential and the complexity of their banking needs. For each segment, the Nordea Group has developed a value proposition including contact policy, service level and product solutions to provide comprehensive financial solutions and ensure "house bank" relationships. Relationship managers take a holistic view of the customer's situation and targets and organise the relationship accordingly. Nordea Bank AB believes that the Nordea Group's strength and size as a banking group enable it to offer highly competitive solutions to the benefit of corporate customers. Nordea Bank believes that its strategy for the largest corporate customers has proven robust during the ongoing transformation of the banking industry. The Nordea Group is committed to its goal of becoming the leading bank in the wholesale segment in all its Nordic markets.

Capital Adequacy

The Nordea Group uses a variety of capital measurements and capital ratios to manage its capital. The Nordea Group calculates its regulatory capital requirements under the CRD IV framework.

The Nordea Group is approved by the financial supervisory authorities to use the internal ratings based ("**IRB**") approach when calculating the capital requirements for the main part of its credit portfolio. The Nordea Group uses the Advanced IRB approach for corporate lending in the Nordic countries and in the International Units. The Retail IRB approach is used for the retail exposure classes in the main banks, the mortgage companies in Sweden, Denmark and Norway and in the Finnish finance company. The Foundation IRB approach is used for institutional customers, corporate derivative and securities lending exposures and corporate exposures in the Nordic finance companies. Nordea Bank has also received an approval to use the Foundation IRB approach in OJSC Nordea Bank ("**Nordea Bank Russia**") and the Baltic branches in Estonia, Latvia and Lithuania. Other legal entities and exposure classes are reported according to the standardised approach. Acquisitions of new portfolios are treated under the standardised approach until they are approved for the IRB approach by the relevant financial supervisory authority. As of 31 December 2015, 79 per cent. of the Nordea Group's credit risk exposure amount was covered by IRB approaches. Nordea Bank AB aims to implement the IRB approach for some of the remaining portfolios in 2016. The Nordea Group is also approved to use its own internal Value-at-Risk ("**VaR**") models to calculate capital requirements for the major parts of the market risk in the trading books. For operational risk, the standardised approach is applied.

The Nordea Group's capital policy states that Nordea Group under normal business conditions should have capital ratios for common equity tier 1 (CET1), tier 1 and total capital that exceed the capital requirement as communicated by the SFSA. The policy states that Nordea Bank AB will maintain a management buffer of 0.5 – 1.5 per cent. above the CET1 capital requirement. The targets are considered minimum targets under normal business conditions, which should be interpreted as that they could potentially be breached under stressed conditions. Moreover, the regulatory framework is dynamic through the cycle.

The Capital Policy is related to the Internal Capital Adequacy Assessment Process, which according to the CRD IV, should, for each bank, review the management, mitigation and measurement of material risks to assess the adequacy of internal capital and determine an internal capital requirement reflecting the risk appetite of the institution.

As of 31 December 2015, the Nordea Group's CET1 capital, tier 1 capital and own funds exceeded the regulatory minimum requirements outlined in the CRD IV. Considering results of capital adequacy stress testing, capital forecasting and growth expectations, the Nordea Group assesses that the buffers held for current regulatory capital purposes are sufficient.

In addition to the Nordea Group's internal capital requirements, ongoing dialogues with third parties affect the Nordea Group's capital requirements, in particular, views of the external rating agencies.

The Nordea Group uses a "pillar 1 plus pillar 2" approach in order to assess the internal capital requirement. This methodology uses the pillar 1 capital requirement for credit risk, market risk and operational risk as outlined in the CRD IV as the starting point for its risk assessment. For these risks, the risk is measured using only models and processes approved by the financial supervisory authorities for use in the calculation of legal capital requirements. Following this, pillar 2 risks, that is, risks not included in pillar 1, are considered. In addition to calculating risk capital for its various risk types, Nordea conducts a comprehensive capital adequacy stress test to analyse the effects of a series of global and

local shock scenarios. The results of the stress tests are also considered in Nordea's internal capital requirement as buffers for economic stress.

The Nordea Group uses its Economic Capital framework to identify and assess pillar 2 risks, and as its primary tool for internal capital allocation considering all risk types. Another important component of assessing capital adequacy is stress testing. The Nordea Group stress tests both pillar 1 and pillar 2 risks and considers the results of such tests when determining the Nordea Group's internal capital requirements. The Nordea Group uses its existing internal capital measurements as the basis for any additional capital buffers, subject to the judgment of the aforementioned third parties.

NORDEA MORTGAGE BANK PLC

Operational overview

Nordea Mortgage Bank was incorporated to assume the Finnish mortgage credit business operations of Nordea Bank Finland following the Demerger prior to the implementation of the cross border merger of Nordea Bank Finland with Nordea Bank AB which is addressed in more detail above (see "*The Nordea Group*").

Nordea Mortgage Bank operates solely as a mortgage credit bank. The objective of Nordea Mortgage Bank is to acquire residential mortgage loans and loans secured on holiday houses and these activities are primarily financed through the principal repayments and interest payments on such loans and the issuance of covered bonds. Nordea Mortgage Bank is responsible for maintaining the Covered Bond register as required by the CBA.

Legal structure and subsidiaries

Nordea Mortgage Bank is a wholly owned subsidiary of Nordea Bank AB. Nordea Mortgage Bank was incorporated on 1 October 2016 in accordance with Finnish law. Nordea Mortgage Bank has its registered office in Helsinki, Finland and is a company with limited liability pursuant to the Finnish Companies Act (*Osakeyhtiölaki 624/2006*). Nordea Mortgage Bank is registered in the trade register with business identity code 2743219-6 and has its registered office at the following address: Satamaradankatu 5 (Sw. *Hamnbanegatan 5*), 00020 Nordea, Finland. Nordea Mortgage Bank is authorised as a credit institution under the Finnish Act on Credit Institutions (610/2014, as amended) and holds a mortgage credit bank licence under the CBA enabling it to assume the liabilities in respect of Covered Bonds previously issued by Nordea Bank Finland and to issue further covered bonds under and in accordance with the CBA. Nordea Mortgage Bank is not a deposit bank and does not engage in any other activities than mortgage credit business operations.

Nordea Mortgage Bank has no subsidiaries of its own, nor does it have any shares in other Nordea Group companies. Nordea Mortgage Bank conducts its activities in close cooperation with Nordea Bank Finland and Nordea Bank AB and their sales offices and branches in Finland. Among other things, Nordea Bank Finland originates the mortgage loans and thus handles the credit processes and is solely responsible for decisions regarding the mortgage loans contained in the Cover Pool until they are transferred to Nordea Mortgage Bank and once transferred, manages the mortgage loans and performs certain accounting and reporting tasks for Nordea Mortgage Bank. Nordea Bank Finland and Nordea Bank AB also handle Nordea Mortgage Bank's funding and risk control.

Share and shareholder information

Nordea Mortgage Bank's share capital as at 1 November 2016 is EUR 250,000,000, made up of 257,700,000 ordinary shares, having no nominal value. The entire issued share capital is owned by Nordea Bank AB.

Board of Directors

At the date of this Base Prospectus, Nordea Mortgage Bank's Board of Directors consists of the following members:

Name	Year of birth/ Member since	Position	External Positions
Topi Manner	1974/2016	Chairman	Head of Personal Banking, Member of Group Executive Management; Executive Vice President, Nordea Group; Chairman of the Board, Nordea Bank Norway ASA; Member of the Board, Nordea Finance Finland Ltd; Member of the Board, Nordea Finance Denmark A/S; Member of the Board, Nordea Finance Sweden AB; Member of the Board, FinnCham (Finnish Chamber of Commerce) and Member of the Board, International Chamber of Commerce in Finland
Riikka Laine-Tolonen	1966/2016	Member of the Board of Directors	Deputy Head of Personal Banking Finland, Nordea; Member of the Board, Nordea Bank S.A.; Chairman of the Board and representative in real estate companies owned by the Foundation, Nordea Pension Foundation and Member of the Board, Museum of Nordea Bank
Jussi Mekkonen	1972/2016	Member of the Board of Directors	Head of Personal Banking Finland, Nordea; Chairman of the Board, Nordea Life Finland Ltd; Member of the Board, Nordea Maataloussäätiö (unofficial translation Nordea Agricultural Foundation) and Member of the Board, Nordea Funds Ltd

Name	Year of birth/ Member since	Position	External Positions
Nina Luomanen	1969/2016	Member of the Board of Directors	Head of Personal Banking Strategy and Development Finland, Nordea
Ola Littorin	1962/2016	Member of the Board of Directors	Head of Long Term Funding, Nordea, Member of the Board, Nordea Eiendoms-kreditt A/S
Hanna-Maria Heikkinen	1979/2016	Member of the Board of Directors	Vice President, Investor Relations (IR), Cargotec; Member of the Board, Helen Ltd and Chairman of the Board, The Finnish Investor Relations Society
Markku Pehkonen	1962/2016	Member of the Board of Directors	Group CRO, Sampo Plc

The members of the Board of Directors have been appointed for an indefinite term.

The address of the members of the Board of Directors is c/o Nordea Mortgage Bank Plc, Satamaradankatu 5 (Sw. *Hamnbanegatan 5*), 00020 Nordea, Finland.

To the best knowledge of Nordea Mortgage Bank, no potential conflicts of interest exist between any duties to Nordea Mortgage Bank of a member of the Board of Directors and the private interests or other duties of such persons.

Management

Thomas Miller is the managing director of Nordea Mortgage Bank and Tomi Ylöstalo is the deputy managing director and CFO.

Conflicts of interest

In order to avoid conflicts of interest and clarify how individuals are expected to act if conflicts of interest arise, Nordea Mortgage Bank has adopted a number of guidelines set out by the Nordea Group, including ethical guidelines, guidelines for employees' secondary jobs and guidelines for employees' private security and foreign currency transactions.

Auditors

PricewaterhouseCoopers Oy of Itämerentori 2, FI-00180 Helsinki, Finland ("**PwC Oy**") is the independent auditor for Nordea Mortgage Bank, with Juha Wahlroos as the main responsible auditor. PwC Oy is a member of the Finnish Institute of Authorised Public Accountants.

Legal and arbitration proceedings

Within the framework of the normal business operations, the Nordea Group faces claims in civil lawsuits and disputes, most of which involve relatively minimal amounts. Nordea Mortgage Bank is not, and has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Nordea Mortgage Bank is aware) since the date of its incorporation that may have, or have had, recent significant effects on its financial position or profitability.

Dividends

Since the date of its incorporation, the Issuer has not paid any dividends.

Articles of Association

The objects of Nordea Mortgage Bank can be found in its Articles of Association. The objects of Nordea Mortgage Bank are to engage in mortgage credit bank operations.

Material Contracts

Except as disclosed in this Base Prospectus, Nordea Mortgage Bank does not have any material contracts.

Corporate governance

All the operations of Nordea Mortgage Bank are integrated into the operations of Nordea Group. The Nordea Group has established a corporate governance framework at group level and the framework is reviewed on a continuous basis, and is adopted *mutatis mutandis* by Nordea Mortgage Bank.

Existing Covered Bond issuances

The Covered Bonds assumed by Nordea Mortgage Bank from Nordea Bank Finland (and any further covered bonds to be issued by Nordea Mortgage Bank) are unsubordinated obligations of Nordea Mortgage Bank and rank *pari passu* among themselves, with the Nordea Mortgage Bank's relevant derivative contracts and with all other obligations of Nordea Mortgage Bank that have been provided the same priority as debt instruments issued pursuant to the CBA.

All Covered Bonds assumed by Nordea Mortgage Bank from Nordea Bank Finland and any further covered bonds to be issued by Nordea Mortgage Bank, (which rank *pari passu* with the Nordea Mortgage Bank's relevant derivative contracts) have, and will have, the benefit of a statutory preference under the CBA on the Cover Pool assumed and maintained by Nordea Mortgage Bank. Nordea Mortgage Bank maintains only one Cover Pool, in respect of the Covered Bonds it has assumed from Nordea Bank Finland through the Demerger or that it may issue under the Covered Bond Programme, and any relevant derivative contracts, and the Covered Bondholders share the benefit of the Cover Pool with all other covered bondholders, relevant derivative counterparties and providers of any bankruptcy liquidity loans.

Composition of assets in the Cover Pool

The CBA sets out the requirements for the assets that may form part of a cover pool. Nordea Mortgage Bank's Cover Pool, which was transferred by operation of law from Nordea Bank Finland on 1 October 2016, consists primarily of housing loans, which are currently loans secured on (i) mortgageable property primarily for residential purposes or (ii) shares in housing companies or shares comparable thereto, participations and rights of occupancy. All properties that constitute security for the mortgages in the Cover Pool are located throughout Finland, with concentration in urban areas. As at 30 September 2016, 42.4 per cent. of the properties were in the Greater Helsinki area, 21.5 per cent. in South Finland, 12.3 per cent in North/Middle Finland and 23.8 per cent. in West Finland. As at 30 September 2016, the vast majority of these were single family homes (44.0 per cent.) and tenant owner units (46.8 per cent), with the balance being multi-family housing (5.7 per cent.), summer cottages (2.5 per cent.) and public sector guaranteed loans (1.0 per cent.). As at 30 September 2016, the notional value of the Cover Pool was EUR 22.7 billion. As at 30 September 2016, the weighted average Loan to Value of the properties in the Cover Pool was 49.8 per cent. (indexed and calculated per property) and the average loan size was EUR 68,685 (on a weighted average basis, with the covered amount being EUR 64,200). The loans in the Cover Pool are originated by Nordea Bank Finland and are predominantly floating rate (98 per cent.), with the remainder being fixed rate loans (as at 30 September 2016). There are no substitute assets in the Cover Pool (as at 30 September 2016) and the Cover Pool is dynamic.

The amount of derivative contracts in the Cover Pool fluctuates with market conditions and hedging needs.

Material contracts relating to the management of the mortgage loans in the Cover Pool

Nordea Bank Finland and Nordea Mortgage Bank entered into a loan transfer agreement (the "**Transfer Agreement**") pursuant to which Nordea Bank Finland will sell and assign to Nordea Mortgage Bank, and Nordea Mortgage Bank will purchase and acquire further mortgage loans with the relevant loan security for inclusion in the Cover Pool. Nordea Bank Finland, Nordea Bank AB and Nordea Mortgage Bank have entered into a number of service agreements (the "**Service Agreements**") pursuant to which Nordea Bank Finland has agreed to manage the loans transferred in the Demerger or sold by it to Nordea Mortgage Bank under the Transfer Agreement and in connection therewith act as servicer to keep any documents and instruments relating to any mortgage loans and attaching loan security in custody and to receive and collect payments on behalf of Nordea Mortgage Bank. The Transfer Agreement and Service Agreements became effective at the implementation of the Demerger and will, to the extent these are entered into with Nordea Bank Finland, transfer to Nordea Bank AB upon the cross-border merger being implemented.

Nordea Mortgage Bank may enter into other agreements with Nordea Bank Finland and/or Nordea Bank AB as required for the operation of Nordea Mortgage Bank's business and in relation to Nordea Group operations.

Treasury services and risk control

Nordea Mortgage Bank has entered into Service Agreements with Nordea Bank Finland and Nordea Bank AB regarding treasury services. Pursuant to these Service Agreements, Nordea Bank Finland and Nordea Bank AB on

behalf of Nordea Mortgage Bank, amongst other things, arrange financing for the mortgage loans, manages the daily liquidity, enters into derivative transactions to hedge financial risk and arranges for the composition and size of the Cover Pool to comply with regulatory and internal requirements. In addition, Nordea Mortgage Bank and Nordea Bank AB have entered into a Service Agreement, according to which Nordea Bank AB handles Nordea Mortgage Bank's risk control, including daily calculation and reporting of market and credit risk as well as Nordea Mortgage Bank's business continuity planning and financial control. The Service Agreements became effective at the implementation of the Demerger and will, to the extent these are entered into with Nordea Bank Finland, transfer to Nordea Bank AB upon the cross-border merger being implemented.

Other services

Nordea Mortgage Bank has in addition entered into Service Agreements with Nordea Bank Finland and Nordea Bank AB regarding handling of certain group wide functions such as internal audit, compliance, IT and financial reporting. The Service Agreements became effective at the implementation of the Demerger and will, to the extent these are entered into with Nordea Bank Finland, transfer to Nordea Bank AB upon the cross-border merger being implemented.

Derivative contracts

The existing derivative contracts relating to the Covered Bonds transferred in the Demerger were transferred to Nordea Mortgage Bank upon the implementation of the Demerger. Nordea Mortgage Bank will enter into derivative arrangements with Nordea Bank Finland and/or Nordea Bank AB and potentially other parties (as authorised by the CBA) as may be required for the purpose of controlling interest rate risks, liquidity risks and currency risks in relation to Nordea Mortgage Bank's funding and lending operations. To the extent that any derivative contracts have been entered into with Nordea Bank Finland, these will transfer to Nordea Bank AB upon the cross-border merger being implemented.

Funding of Nordea Mortgage Bank's business

The interest payable and principal repayable by borrowers on the Cover Pool assets is Nordea Mortgage Bank's primary source of funds for the service of its payment obligations under the Covered Bonds. Pursuant to the CBA, Nordea Mortgage Bank must ensure that the total amount of interest accrued from Cover Pool assets during any 12 month period is sufficient to cover the total amount payable to Covered Bondholders as interest and to the counterparties of derivative transactions as payments under such derivative transactions. In addition, Nordea Mortgage Bank receives funding through a dedicated liquidity line provided by Nordea Bank Finland to manage daily liquidity and ensure compliance with external and internal requirements regarding liquidity management for the account of Nordea Mortgage Bank.

The nominal value of outstanding covered bonds assumed by Nordea Mortgage Bank from Nordea Bank Finland through the implementation of the Demerger as at 1 October 2016 amounted to approximately EUR 15.5 billion. This included both the Covered Bonds issued by Nordea Bank Finland under the Programme and approximately EUR 1.2 billion stand-alone registered covered bonds issued under German law.

The loan portfolio

Nordea Mortgage Bank operates mainly in the Finnish mortgage lending market and holds mortgage loans originated and transferred to it by Nordea Bank Finland. Nordea Mortgage Bank may also issue further covered bonds under and in accordance with the CBA. The purpose of such lending is primarily to finance single family homes and for terraced houses or flats (which are commonly owned by housing companies) and summer cottages. Although the central emphasis is on housing financing, financing for business and commercial property is also provided. The collateral granted to Nordea Mortgage Bank in relation to its lending consists mainly of mortgages on residential property and pledges over housing company shares. The average repayment period of a mortgage loan is approximately 20 years in Finland. A majority of Nordea Mortgage Bank's customers in Finland choose interest rates for interest periods of up to 12 months where the interest base is EURIBOR. Nordea Bank Finland's share of the Finnish mortgage market amounted to 30 per cent. as at July 2016.

Opening Balance Sheet on 1 October 2016

Assets	(EUR)
Cash and balances with central banks.....	211,126,186.25
Loans to credit institutions.....	179,745,292.42
Loans to the public.....	24,450,181,270.13
Derivatives.....	1,037,183,824.99
Accrued income.....	16,262,624.13
Total assets.....	25,894,499,197.92
Liabilities	
Deposits by credit institutions.....	8,700,000,000.00
Debt securities in issue	15,283,690,253.58
Derivatives	21,155,444.62
Fair value changes of the hedged items in portfolio hedge of interest rate risk.....	785,628,977.64
Accrued expenses and prepaid income.....	52,209,495.72
Total liabilities	24,842,684,171.56
Equity	
Share capital.....	250,000,000.00
Other reserves.....	801,815,026.36
Total equity.....	1,051,815,026.36
Total liabilities and equity.....	25,894,499,197.92
Assets pledged as security for own liabilities.....	22,746,065,935.77
Credit commitments.....	6,528,882.38

THE FINNISH HOUSING MORTGAGE MARKET

The information provided below has been derived from publicly available information on the Finnish housing mortgage market.

Introduction

Commercial lenders are the principal originators of residential mortgage loans in Finland. Residential mortgage lending tends to be primarily secured on residential properties, although lending to municipality-owned housing companies may also be backed by municipal guarantees.

Lending for single family houses typically takes the form of one or more mortgage loans with an aggregated Loan-to-Value Ratio of up to 75 per cent.

The Finnish Act on Credit Institutions (*Laki luottolaitostoiminnasta* 610/2014), as amended, sets a cap on residential housing loans which entered into force on 1 July 2016. A credit institution may grant a residential housing loan referred to in Chapter 7, section 7, paragraph 4 of the Finnish Consumer Protection Act (*Kuluttajansuojalaki* 38/1978), as amended, subject to a Loan-to-Value Ratio cap calculated between the loan amount and the current value of the security for the loan at the time of granting of the loan. The Loan-to-Value Ratio cap is applicable to new housing loans granted as of 1 July 2016 so that a housing loan may be no more than 90 per cent. of the current value of the security provided for the loan. If a first home is involved, a housing loan granted may be no more than 95 per cent of the current value of the security provided for the loan. When buying a home, the current value of the security refers to the purchase price.

Finnish mortgage loans may have a fixed or variable rate of interest, although loans with variable rates of interest are the most commonly originated at the date of this Base Prospectus. Interest rates for fixed loans are typically set for a period of 3 or 5, or occasionally 10 or 15 years. For variable rate loans, the interest is determined as a variable margin over 1-month, 3-month, 6-month or 12-month EURIBOR interest rates or over prime rates set by the banks.¹ The Finnish Consumer Protection Act (*Kuluttajansuojalaki* 38/1978), as amended (see "*Regulatory Framework*" below), does not impose limitations on the margin or nominal rate of interest that may be set on a consumer loan. While there are no specific rules limiting rates of interest (other than in respect of default interest), the general principles of equity under Finnish law also apply.

Mortgage Lenders in Finland

Mortgage lenders in Finland provide a range of financing for single family homes and for terraced houses or flats (which are commonly owned by housing companies). They also provide financing for business and commercial property. As at July 2016, aggregate outstanding loans from mortgage lenders secured on Finnish residential properties totalled approximately EUR 92.6 billion and the principal lenders in the Finnish mortgage market (housing loans) at year-end 2015 were:

- OP-Pohjola Group (which has a market share of approximately 39.0 per cent.);
- Nordea (which has a market share of approximately 30.1 per cent.);
- Danske Bank (which has a market share of approximately 11.7 per cent.); and
- other banks (which have a market share of approximately 19.2 per cent.).

Material Legal Aspects of the Mortgage Loans

Form of the Mortgage Certificates

A mortgage loan may be secured by the pledge of one or more mortgage certificates (*kiinteistöpanttikirja*) (such mortgage certificates that have been pledged as security for a loan, together, the "**Mortgage Certificates**"), evidencing a mortgage over a property (or a portion thereof) owned by a borrower or security provider as provided for in Chapter 15, sections 1 and 2 of the Finnish Land Code (*Maakaari* 540/1995), as amended. Mortgage certificates are either physical documents or electronic records in the register of title and mortgages (*lainhuuto- ja kiinnitysrekisteri*).

¹ Nordea does not offer interest rates determined as a variable margin over 1-month EURIBOR interest rates to new customers.

The security interest over real estate is created by executing a pledge agreement, and, in respect of physical mortgage certificates, delivering these to the pledgee (or a third party sufficiently remote from the pledgor and acting on behalf of the pledgee) to be retained by the pledgee or the third party throughout the security period or, in respect of electronic mortgage certificates by means of registering the pledgee as registered recipient of the electronic mortgage certificate (*sähköisen panttikirjan saaja*). In the event that mortgages have not been registered on the pledged property or the principal amount of registered mortgages is insufficient to cover the amount of the relevant secured obligation, an application for the registration of (additional) mortgages is submitted to the National Land Survey of Finland (*Maanmittauslaitos*) by the owner of the pledged property (or the pledgee, authorised by the owner). The National Land Survey registers the mortgage in the register of title and mortgages and prepares a mortgage certificate, which is then delivered or assigned directly to the pledgee or in respect of electronic mortgage certificates, registered with the pledgee as the registered recipient. The Finnish Land Code further recognises the creation of security interests by notification to a third party holder of a mortgage certificate, whether the certificate is in written or in electronic form.

The transition into using exclusively electronic mortgage certificates has been approved by Finnish parliament by amendments to the Finnish Land Code of which have entered into force on 3 June 2016. Mortgage certificates for new mortgages will be issued only in electronic form starting from 1 June 2017. In addition, after such date, when making changes to mortgages, the National Land Survey of Finland will automatically convert written mortgage certificates into electronic form in connection with processing of the proposed change. Physical mortgage certificates issued before 1 June 2017 may, however, remain in use. Any mortgage security interest established by means of physical mortgage certificates before 1 January 2020 will remain effective until its expiry by conventional means, for instance by payment of debt. However, physical mortgage certificates can no longer be used to establish new security interests after 1 January 2020.

Form of the Pledge over Housing Company Shares

A mortgage loan may also be secured by a pledge of shares in a housing company which is a company incorporated in Finland and referred to in Chapter 1, Section 2 of the Finnish Act on Housing Companies (*Asunto-osakeyhtiölaki* 1599/2009), as amended. A pledge of shares in a housing company, which shares entitle the holder to possess a separate dwelling unit (such shares that have been pledged as security for a loan, together, the "**housing company shares**") is effected by executing a pledge agreement, delivering the share certificate evidencing such shares to the pledgee (or a third party sufficiently remote from the pledgor and acting on behalf of the pledgee) and the retention of such share certificate by the pledgee or the third party throughout the security period.

Enforcement Procedures

Introduction and general principles of Finnish law in respect of enforcement

Enforcement of obligations, including receivables such as the mortgage loans, under Finnish law typically requires that the creditor first obtains a judgment or arbitral award ordering the particular obligations to be satisfied (for example, for a debt to be paid) after which the actual enforcement is carried out by a district bailiff in a procedure regulated by Finnish law.

The principles of equity and statutory limitation may restrict the creditor from obtaining a judgment or arbitral award. Pursuant to the Finnish Contracts Act (*Laki varallisuus oikeudellisista oikeustoimista* 228/1929), as amended and the Consumer Protection Act, if a contract term is unfair or its application would lead to an unfair outcome, the term may be adjusted or set aside. Consequently, enforcement of obligations may be limited by general principles of equity; in particular, equitable remedies (such as an order for specific performance or an injunction) are discretionary remedies and may not be available under the laws of Finland where damages are considered to be an adequate remedy. For a more detailed description of the provisions of the Consumer Protection Act, see the section "*Regulatory Framework*" below.

Under the Finnish Act on Barring of Debts by the Statute of Limitations (*Laki velan vanhentumisesta* 728/2003), as amended, debt obligations are subject to statutory limitation, which become effective on the earlier of:

- (a) the date falling 3 years as of the date when the payment obligation becomes due and payable;
- (b) the date falling 3 years from the date on which the relevant non-breaching contracting party became or should have become aware of a breach of contract; or
- (c) the date falling 10 years from the date on which such breach occurred.

Where a creditor has been granted a security interest to secure its receivable, the enforcement procedure depends on the type of the asset securing the receivable.

Enforcement of a Pledge over Receivables

Under Finnish law, the pledgor and pledgee may freely agree on the method of enforcement. In the case of receivables, these methods may include collecting payment from the debtor or selling the receivable to a third party. However, mandatory legislation requires that the pledgee must act diligently and give due consideration to the pledgor's justified interests when liquidating the asset, which in practice means that the asset may not be sold at clearly less than its market value. Regardless of the method of liquidation, any proceeds in excess of the amount of the creditor's receivable shall be returned to the pledgor.

Enforcement of a Pledge of Mortgage Certificates

Enforcement of a pledge of mortgage certificates must be carried out through an enforcement procedure in accordance with the Finnish Execution Code (*Ulosottokaari* 705/2007), as amended.

A creditor wishing to enforce a claim secured by a pledge of mortgage certificates can either:

- (a) apply to the bailiff for enforcement of its claim without requesting enforcement against any specific assets, thereby leaving the decision concerning the target and method of the enforcement up to the bailiff, in which case the creditor's claim will have the priority described below in a sale of the property; or
- (b) apply to the bailiff for enforcement action directed specifically at the property by virtue of the mortgage loan.

In the case of an application in accordance with paragraph (B) above and, to the extent that enforcement action under paragraph (A) above results in an attempt to sell the property, the bailiff may choose either to organise a public auction or, **provided that** certain requirements are met, such as it is agreed upon by all parties to the proceedings, to sell the property by other means, for example, a private sale by a real estate agent.

In the case of a public auction, the bailiff will make a public announcement that the property shall be auctioned and send invitations to all secured creditors. In doing so, the bailiff will request that the secured creditors inform the bailiff in writing whether they desire to be paid from the proceeds of the auction or whether they are satisfied with the fact that their mortgage shall continue to encumber the property after it is sold. If there is any uncertainty concerning the secured creditors, e.g. where some of them are not known to the bailiff or cannot be reached, the bailiff will typically summon a meeting to be held before the public auction. As a supplement to the information available in public registers and the debtor's obligation to provide information to the bailiff, this meeting is a way of obtaining information concerning the secured creditors. A notice to convene the meeting is sent to all known parties, including all known mortgage holders, and is published in a local newspaper and, if necessary, in the Official Gazette in Finland. As a result of this meeting, the bailiff will prepare a list of all parties involved and their respective rights and claims. Any claim of an unknown secured creditor not represented at the meeting shall be included in the list as a conditional claim with an amount corresponding to the registered amount of the relevant mortgage. This list must be delivered to all relevant parties in good time (normally, a few days) before the public auction takes place.

Based on the amount and priority of mortgages registered over the relevant property, the bailiff shall determine the lowest acceptable bid, which must be received from the property in question from its sale in the auction. To determine the lowest acceptable bid, the bailiff shall arrange the mortgages on such property in an order of priority based on the dates on which the mortgages were registered with the Finnish Title and Mortgage Register (*lainhuuto- ja kiinnitysrekisteri*). The lowest acceptable bid must cover the enforcement costs and the aggregate amount of mortgages, which rank higher in priority than the mortgage that is being enforced. The bailiff may not accept a bid if it is clearly lower than the market value of the property.

Mortgages shall terminate upon the sale unless the property has been sold encumbered or the secured debt has been otherwise assumed. If no acceptable bids are received, another auction or a sale by other means shall be organised unless the creditor requesting the first sale objects to this. Depending on the circumstances, the law also allows for a third sale to be organised. The requirement concerning the lowest acceptable bid can be set aside by agreement between all secured creditors.

If a secured creditor has not duly notified the bailiff in writing of the mortgage and made a request for payment in the above meeting held by the bailiff, the relevant mortgage will not continue to encumber the property following the auction. In such case, the bailiff will hold a certain portion of the proceeds received from the auction of the property for the benefit of such secured creditor, for up to two years from the sale of the property at the auction becoming effective.

Unless that secured creditor notifies the bailiff of its claim within that period, the remaining proceeds will be disbursed to the other creditors. If the secured creditor has notified the bailiff in writing of the mortgage, the secured creditor will have priority in relation to the unsecured creditors as regards the proceeds accruing from the auction of the property. The secured creditor may also agree with the purchaser that the property is sold encumbered in which case the purchaser assumes the liabilities of the debtor towards the secured creditor and the mortgage will become effective against the purchaser and secure the assumed liabilities.

Enforcement of a Pledge over Housing Company Shares

In respect of housing company shares, the parties may generally agree to grant the creditor full discretion over the means of enforcing the security and realising the asset. Such discretion is, however, limited, *inter alia*, by the statutory invalidity of a provision providing that title to the pledged asset shall, upon default, automatically transfer to a pledgee. Furthermore, the pledgee always has a duty to ascertain that the interests of the borrower and other creditors of the borrower are not unduly jeopardised due to the actions taken by the pledgee. Under the standard terms of the pledge agreements used by the seller, a pledged object may not be realised unless the pledgor is notified that the object will be realised unless payment is received within a month (or, if the pledged object is shares, such as housing company shares entitling to the possession of the pledgor's residence, two months). If payment is not received within the given time, the pledged object may be sold by public auction, by a real estate agent or by other appropriate means.

Regulatory Framework

Banking activities in Finland are subject to extensive regulation, primarily, under the Finnish Act on Credit Institutions (*Laki luottolaitostoinnista* 610/2014), as amended, which implements the requirements of the relevant EU directives pertaining to banking legislation. Furthermore, banking activities are governed by the regulations issued by the FIN-FSA. Activities of credit institutions (as such activities are defined in the Finnish Act on Credit Institutions) are subject to prior authorisation by the European Central Bank pursuant to the Finnish Act on Credit Institutions.

Business activity where repayable funds (e.g. deposits) are accepted from the public, credit and other financing is offered by an entity for its own account or electronic money is issued (for example, a monetary value recorded on an electronic device or system and accepted as payment by one or more enterprises), is generally referred to as credit institution activity (*luottolaitostointi*).

Pursuant to the Finnish Act on Credit Institutions, credit institutions and holding companies of credit institutions are supervised by the FIN-FSA. Notwithstanding this, the European Central Bank shall have the responsibilities in relation to the tasks defined in Chapters 3 and 6 through 11 of the Act on Credit Institutions for the supervision of the credit institutions which have been conferred to the European Central Bank pursuant to Council Regulation (EU) no 1024/2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions. The supervision mainly consists of monitoring credit institutions' financial standing and risk management. Furthermore, the Finnish Act on Credit Institutions governs the process of applying for a licence to conduct credit institution activity, the provisions for granting the licence as well as cancelling thereof, the financial conditions to be met by the credit institution, the general procedures to be followed in conducting the business and contains the provisions on sanctions in case of a breach of its regulations.

A credit institution has to qualify for the general conditions which relate to conducting credit institution activity set out in the Finnish Credit Institutions Act. Furthermore, the FIN-FSA will verify the trustworthiness of a founder or a major shareholder. A person is not deemed trustworthy if he/she has been convicted of a crime five years preceding the assessment or received a fine three years preceding the assessment which can be deemed to indicate, or has otherwise demonstrated, that he/she is manifestly unsuitable as a founder or a shareholder of a credit institution.

Credit institutions may only carry out the business activities listed in the Finnish Act on Credit Institutions, which for deposit banks include, receiving deposits and other repayable funds from the public, raising funds, granting or arranging credit and other financing, financial leasing and general transfer of payments. In addition, a Finnish credit institution must have its head office in Finland as well as at least one permanent place of business. In case a credit institution intends to outsource a part of its critical functions' (as defined in the Finnish Act on Credit Institutions) after receiving authorisation, the FIN-FSA must be informed in advance. A credit institution shall further ensure that no close link, such as an ownership interest of more than 20 per cent. or an equivalent degree of control, between the credit institution and another legal person or a natural person shall prevent the efficient supervision of its operations. The Finnish Act on Credit Institutions provides that certain qualifying acquisitions of shares in a credit institution require a prior filing with the FIN-FSA. If a credit institution belongs to a consolidated group not governed by Finnish law, the ability of a foreign authority to adequately supervise the group forms a prerequisite for granting the authorisation required in Finland.

The members and deputy members of the board of directors as well as the managing director and deputy managing director must be trustworthy persons who are not bankrupt and whose capacity has not been restricted.

The share capital, co-operative capital or basic capital of a deposit bank (*talletuspankki*) and a financing institution (*luottoyhteisö*) may not be less than five million euro. The share capital or co-operative capital of an electronic money institution (*sähkörahayhteisö*) may not be less than EUR 350,000.

A credit institution and an undertaking belonging to its consolidated group may not, in the course of their operations, incur a risk that materially jeopardises the solvency or consolidated solvency or the liquidity of the credit institution. A credit institution and an undertaking belonging to its consolidation group must have adequate internal controls and adequate risk management systems as well as adequate liquidity considering the scope and scale of its operations.

The CBA enables the issue of covered bonds (*katetut joukkolainat*) which are debt instruments secured by a cover pool of eligible assets. Covered bonds may be issued by mortgage credit banks (such as the Issuer) and credit institutions which are otherwise authorised to engage in mortgage credit business (*kiinnitysluottopankkitoiminta*). A credit institution must fulfil certain requirements prescribed in the CBA in order to obtain authorisation from the FIN-FSA to engage in mortgage credit business. The credit institution must, among other things, have in place suitable procedures and instruments for managing the risk entailed in holding the cover pool assets and in issuing covered bonds and also prove that it intends to engage in mortgage credit business on a regular and sustained basis. The issuer must have put the appropriate organisational structure and resources into place.

Consumer Protection

Under the Finnish Consumer Protection Act (*Kuluttajansuojalaki* 38/1978), as amended, all consumer credit agreements (*kuluttajaluottosopimus*) must be concluded in writing or if concluded electronically, in a manner whereby the consumer may record and reproduce the agreement unaltered. Before concluding the credit agreement the creditor must assess the consumer's creditworthiness on the basis of sufficient information taking into account the amount of the credit and other circumstances. The creditor must ensure that the information is up to date if the parties agree to change the total amount of credit or increase the credit limit after the conclusion of the credit agreement and assess the creditworthiness of the consumer again before any significant change to the total amount of credit or increase in the credit limit.

Pursuant to the Finnish Consumer Protection Act and the Governmental Decree on the information to be given to consumers in credit agreements (*Valtioneuvoston asetus luottosopimuksesta kuluttajalle annettavista tiedoista* 789/2010), issued thereunder, the consumer credit agreement must include, among others, the following information: (i) the type, amount or limit of the credit and conditions governing the drawdown; (ii) the interest rate, the basis for determining the interest rate and other conditions regarding the interest as well as other costs relating to the granting and use of the credit; (iii) the duration of the credit agreement or, if the credit is to be paid in instalments, the amount, number and frequency of payments; (iv) the aggregate amount payable by the consumer, the annual percentage rate calculated by dividing all costs, interest and charges payable on the credit during the credit period taking into account scheduled repayment instalments, and all assumptions used in order to calculate the rate at the time of concluding the credit agreement; (v) the right of early repayment, and, information concerning the creditor's possible right to compensation and the way in which that compensation will be determined as well as guidance for the use of the right of early repayment; and (vi) the interest rate applicable in the case of late payments and the arrangements for its adjustment and where applicable, any charges payable for default. The consumer must not be charged any payment, interest, fee or compensation that is not included in the terms and conditions of the consumer credit agreement.

The terms of a consumer credit agreement may stipulate that the interest rate payable on the credit shall vary in accordance with a reference rate, which shall be public and based on matters not dependent on the unilateral decisions of the creditor. The consumer must be notified of changes in the interest rate either in the account statements or otherwise in a durable medium. When notifying the consumer of such change, the consumer must also be notified of the amount of payments after any changes in the number and frequency of payments, if applicable. In respect of housing credits, the consumer must, instead of the number of payments, be notified of current information regarding the last payment date.

A consumer has the right to prepay the consumer credit in full or in part before it matures. In such case, the consumer is entitled to a reduction in the total cost of the credit attributable to the remaining duration of the credit. The creditor is, however, entitled to recover its arrangement fee in full if the fee has been specified in the agreement and is not unreasonable. The consumer has the right to decide towards which of several receivables of the same creditor his/her payment is applied. In the event of early repayment, the creditor is also entitled to compensation from the consumer, **provided that** the interest of the credit is not linked to a reference rate, *i.e.* the early repayment falls within a period for

which the interest rate is fixed. Such compensation may not exceed 1 per cent. of the amount of credit repaid early, if the period of time between the early repayment and the agreed termination of the credit agreement exceeds one year. If the period does not exceed one year, the compensation may not exceed 0.5 per cent. of the amount of the credit repaid. In any event, compensation for early repayment may not be claimed, if, the amount of the repayment within the last period of 12 months has not exceeded EUR 10,000; the repayment is made under an insurance contract intended to provide a credit repayment guarantee; or, if the repaid credit is based on a credit agreement related to a current account.

As regards housing credits, the creditor is entitled to compensation for early repayment if the amount of the credit exceeds EUR 20,000 and the interest of the credit is either fixed or, if variable in accordance with a reference rate, determined over a period of 3 years or more. Such compensation may not exceed the amount of loss resulting from a decline in the interest rate for the remaining credit period for fixed interest rate loans or the determination period of a reference rate. The FIN-FSA may issue further guidance on the method for calculating the loss.

If the creditor has a contractual right to, upon a consumer's payment default or other breach of contract, declare the credit or a part thereof prematurely due and payable or to enforce any other specific sanction, the creditor may enforce such a right only if the payment has not been made within one month from its due date and remains outstanding and if the defaulted payment constitutes at least 10 per cent. of the original principal amount of the credit or, if the payment default concerns more than one instalment, at least 5 per cent. of the original principal amount of the credit or if it concerns the total remaining balance of the credit. The creditor may also enforce such right on a material breach of contract (other than non-payment) by the consumer. Notwithstanding the aforementioned thresholds, the creditor may enforce its right if the payment has not been made within six months and remains substantially outstanding.

The creditor does not have any right to declare the credit or a part of the credit prematurely due and payable, if the payment default resulting in such right is due to the consumer's illness, unemployment or any other corresponding reason that is not attributable to him, except where this would be evidently unreasonable to the creditor taking into account the length of the delay and other circumstances.

The creditor may declare the credit or a part of the credit prematurely due and payable, subject to giving four weeks' prior written notice to the borrower or, if the borrower has already been notified of the payment default or another breach of contract, with a two-week prior notice. If the consumer pays the unpaid amount or rectifies the other breach during the said notice period, the acceleration shall lapse.

A company (including a bank) that violates the provisions of the Finnish Consumer Protection Act may, if this is necessary for consumer protection, be prevented from continuing such measures or repeating these or comparable measures.

Compliance with the provisions is supervised by the Consumer Ombudsman, the Finnish Competition and Consumer Authority and, as the district authorities subordinate to it, the Regional State Administrative Agencies as well as by the FIN-FSA when the granting of credit falls within the activity supervised by the FIN-FSA. A company must present for inspection by the supervisory authorities the documents concerning consumer credits that are necessary for the supervision of such credits.

Further, the Finnish Act on Credit Institutions contains provisions on the contractual terms that a credit institution such as the Issuer may use. According to the Finnish Act on Credit Institutions, a credit institution may not use contractual provisions that are unreasonable toward the borrower. Credit institutions are required to submit their standard terms and conditions to the FIN-FSA.

Tax Framework

The Finnish Income Tax Act (*Tuloverolaki 1535/1992*), as amended, provides certain tax reliefs to borrowers in respect of loans used to finance the purchase of a residence. In respect of such a loan, 100 per cent. of the interest payable has previously been deductible from a borrower's capital income. According to the new amended rules, this deduction right has been cut to 25 per cent. of the amount of interests paid as of 2019. The deductible part of the interests is, however, 55 per cent. in 2016, 45 per cent. in 2017 and 35 per cent. in 2018. If the borrower has no such capital income or the interest (and other deductible expenses) exceeds the income, the Finnish Income Tax Act provides that the loss may be deductible from the income tax payable on earned income (i.e., salary), depending on certain criteria such as, inter alia, on the number of children in the household and whether the residence is the first residence owned by the borrower.

Pursuant to the Act on Transfer Tax (*Varainsiirtoverolaki 931/1996*), as amended, the transfer of property or housing company shares is exempt from transfer tax if the residence is the first residence owned by the buyer and is otherwise generally levied at 4 per cent. for direct transfers of real estate and 2.0 per cent. for transfers of shares. The transfer tax base includes also the debts of housing companies in addition to sales price. Subject to certain conditions, capital gains

from the sale of the borrower's residence are not subject to capital gains tax, which is otherwise levied at a rate of 30 per cent. For income exceeding EUR 30,000, the tax rate is 34 per cent.

TAXATION

The following is a general description of certain tax considerations relating to the Covered Bonds. It does not purport to be a complete analysis of all tax considerations relating to the Covered Bonds, whether in those countries or elsewhere. Prospective purchasers of Covered Bonds should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Covered Bonds and receiving payments of interest, principal and/or other amounts under the Covered Bonds and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date.

Finnish Taxation

Interest on Covered Bonds issued by Nordea Mortgage Bank to the public in Finland constitutes income pursuant to the act on withholding tax for interest income (*Laki korkotulon lähdeverosta 1341/1990*, as amended) for physical persons that are resident in Finland for tax purposes and for Finnish estates of deceased persons. The withholding tax on interest income is at present 30 per cent. Interest on certain Covered Bonds paid to a Finnish physical person or the Finnish estate of a deceased person may also be in the scope of the Income Tax Act (*Tuloverolaki 1535/1992*, as amended), in which case it is subject to capital income tax rates (30 – 34 per cent. in 2016).

Where Covered Bonds are sold by a Finnish physical person or Finnish estate of deceased person prior to the due date, any capital gains and payment of accrued interest (*Fi. jälkimarkkinahyvitys*) is taxed in at the tax rate applicable to capital income (30 – 34 per cent. in 2016). Correspondingly, the subscriber is generally entitled to deduct the paid accrued interest from the taxable income of the year of subscription. Capital gains arising from a sale of assets are, however, exempted from tax if the total amount of the sales prices of the assets sold by the holder of the covered bonds does not exceed EUR 1,000 in a tax year. Capital losses arising from the transfer of the covered bonds are deductible from capital gains and, for capital losses arising during the tax year 2016 or later, generally also from other capital income in the same year or during the following five years. The capital losses will not, however, be tax deductible if the total amount of the acquisition prices of the assets sold by the note holder does not exceed EUR 1,000 in a tax year.

If the recipient of the interest paid on the Covered Bonds is a corporation further defined in Income Tax Act (*Tuloverolaki 1535/1992*, as amended) residing in Finland for tax purposes, such interest is subject to taxation either as income from business activities (business income source) or from passive assets (other income source) of the recipient corporation. Taxable income of a Finnish corporation is determined separately for business activities and other activities, both of which are taxed at a flat rate of 20 per cent.

Where Covered Bonds are sold by a Finnish resident corporation, any sales price is included either in the income from business activities or income from passive assets of the Finnish resident corporation. The acquisition cost of the Covered Bonds sold is deductible either from business or other income depending on which assets the Covered Bonds belonged to at the time the Covered Bonds were sold. In general, a capital loss arising from the transfer of Covered Bonds attributable to business activities is deductible from business income. Confirmed losses from business activities can be carried forward for ten tax years. Capital losses attributable to other income can only be offset against capital gains arising from the transfer of passive assets and can be carried forward only for five tax years.

Payments of interest in accordance with the Terms and Conditions are not subject to withholding tax in Finland provided that the recipient is not resident in Finland for tax purposes, unless the Covered Bonds relate to business carried on in Finland (through a permanent establishment in Finland). The payer is obliged to ascertain that the recipient is a not resident in Finland for tax purposes. The recipient is obliged to disclose his non-resident investor status to the payer. If a recipient fails to provide such information, the Issuer will be entitled to withhold or deduct amounts from a payment in respect of the Covered Bonds, if it is required to do so under Finnish law and the Issuer will not be required to pay the recipient any additional amounts. Investors that are not resident in Finland for tax purposes are, furthermore, not subject to Finnish tax on capital gains arising from the transfer of Covered Bonds, unless the transfer relates to business carried on in Finland through a permanent establishment.

The Holders are advised to consult their own tax advisers concerning their tax reporting obligations and the overall tax consequences of their ownership of the Covered Bonds.

Information gathering and sharing

In addition, tax authorities in various jurisdictions have their own information gathering and sharing powers which may be applicable, in addition to those described above.

SUBSCRIPTION AND SALE

Covered Bonds may be sold from time to time by the Issuer to any one or more of, Barclays Bank PLC, BNP Paribas, Citigroup Global Markets Limited, Commerzbank Aktiengesellschaft, Credit Suisse Securities (Europe) Limited, Deutsche Bank AG, London Branch, DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, Goldman Sachs International, HSBC France, Landesbank Baden-Württemberg, Merrill Lynch International, Natixis, Norddeutsche Landesbank – Girozentrale -, Nordea Bank Danmark A/S, Société Générale, The Royal Bank of Scotland plc, UBS Limited and UniCredit Bank AG (the "**Dealers**"). The arrangements under which Covered Bonds may from time to time be agreed to be sold by the Issuer to, and purchased by, Dealers are set out in an amended and restated dealership agreement dated 1 November 2016 (as amended and/or restated from time to time the "**Dealership Agreement**") and made between the Issuer and the Dealers. Any such agreement will *inter alia* make provision for the form and terms and conditions of the relevant Covered Bonds, the price at which such Covered Bonds will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Dealership Agreement makes provision for the resignation or renewal of existing Dealers and the appointment of additional or other Dealers.

Australia

No prospectus or other disclosure document (as defined in the Corporations Act 2001 of Australia (the "**Corporations Act**")) in relation to the Covered Bonds or the Programme has been, or will be, lodged with or registered by the Australian Securities & Investments Commissions ("**ASIC**") or any other regulatory authority in Australia.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it:

- (a) has not (directly or indirectly) offered or invited applications, and will not offer or invite applications, for the issue, sale or purchase of any Covered Bonds in, to or from Australia (including an offer or invitation which is received by a person in Australia); and
- (b) has not distributed or published, and will not distribute or publish, any draft, preliminary or definitive offering memorandum, advertisement or other offering material relating to the Programme or any sale of Covered Bonds in Australia,

unless:

- 1. the aggregate consideration payable by each offeree or invitee is at least AUD 500,000 (or equivalent in an alternative currency and, in either case, disregarding moneys lent by the offeror or its associates) or the offer or invitation otherwise does not require disclosure to investors in accordance with Part 6D.2 or Part 7.9 of the Corporations Act and complies with the terms of any authority granted under the Banking Act of 1959 of Australia;
- 2. the offer or invitation is not made to a person who is a "retail client" within the meaning of section 761G of the Corporations Act;
- 3. such action complies with all applicable laws, regulations and directives; and
- 4. such action does not require any document to be lodged with ASIC or any other regulatory authority in Australia.

By applying for Covered Bonds under the Base Prospectus, each person to whom Covered Bonds are issued (an "**Investor**"):

- (a) will be deemed by the Issuer and each of the Dealers to have acknowledged that if any Investor on-sells Covered Bonds within 12 months from their issue, the Investor will be required to lodge a prospectus or other disclosure document (as defined in the Corporations Act) with ASIC unless either:
 - (i) that sale is to an Investor that:
 - (A) falls within one of the categories set out in sections 708(8) or 708(11) of the Corporations Act; and
 - (1) is not a "retail client" within the meaning of section 761G of the Corporations Act,

- (2) to whom it is lawful to offer Covered Bonds in Australia without a prospectus or other disclosure document lodged with ASIC; or

(B) the sale offer is received outside Australia; and

- (b) will be deemed by the Issuer and each of the Dealers to have undertaken not to sell those Covered Bonds in any circumstances other than those described in paragraphs (a)(i) and (ii) above for 12 months after the date of issue of such Covered Bonds.

This Base Prospectus is not, and under no circumstances is to be construed as, an advertisement or public offering of any Covered Bonds in Australia.

Denmark

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold and will not offer, sell or deliver any of the Covered Bonds directly or indirectly in the Kingdom of Denmark by way of public offering, unless in compliance with the Danish Securities Trading etc. Act (*Værdipapirhandelsloven*), as amended from time to time, and Executive Orders issued thereto.

Finland

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not publicly offer the Covered Bonds or bring the Covered Bonds into general circulation in Finland other than in compliance with all applicable provisions of the laws of Finland and especially in compliance with the Finnish Securities Market Act (14 December 2012/746, *Fi. Arvopaperimarkkinalaki* or *Sw. Värdepappersmarknadslag*), as amended and any regulation or rule made thereunder, as supplemented and amended from time to time.

France

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold and will not offer or sell, directly or indirectly, Covered Bonds to the public in France and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this Base Prospectus, the relevant Final Terms or Pricing Supplement or any other offering material relating to the Covered Bonds and such offers, sales and distributions have been and will be made in France only to (a) providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), and/or (b) qualified investors (*investisseurs qualifiés*), other than individuals all as defined in, and in accordance with, articles L.411-1, L.411-2 and D.411-1 of the French *Code monétaire et financier*. Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the offer of Covered Bonds to the public in France will be made only in compliance with the Prospectus Directive and the applicable laws, regulations and procedures in France. This Base Prospectus prepared in connection with the Covered Bonds has not been submitted to the clearance procedures of the French *Autorité des marchés financiers* (the "AMF").

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, unless the approval of this Base Prospectus by the Central Bank has been notified to the AMF in accordance with Article 18 of the Prospectus Directive, as implemented in France, and all the other procedures and formalities required by French laws and regulations to permit the offering (and in which case only for a period of 12 months from the date of such approval) and sale of Covered Bonds in France have been carried out, it has not and will not make an offer of Covered Bonds to the public in France.

Ireland

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) it will not underwrite the issue of, or place the Covered Bonds, otherwise than in conformity with the provisions of the European Communities (Markets in Financial Instruments) Regulations 2007 (Nos. 1 to 3) (as amended), including, without limitation, Regulations 7 and 152 thereof or any codes of conduct used in connection therewith and the provisions of the Investor Compensation Act 1998;

- (b) it will not underwrite the issue of, or place, the Covered Bonds, otherwise than in conformity with the provisions of the Companies Act 2014 (as amended (as superseded from 3 July 2016 by the Market Abuse Regulation EU 596/2014)), the Central Bank Acts 1942 to 2014 (as amended) and any codes of conduct rules made under Section 117(1) of the Central Bank Act 1989; and
- (c) it will not underwrite the issue of, place or otherwise act in Ireland in respect of the Covered Bonds, otherwise than in conformity with the provisions of the Market Abuse (Directive 2003/6/EC) Regulations 2005 (as amended) and any rules issued under Section 1370 of the Companies Act 2014 by the Central Bank.

Republic of Italy

The offering of the Covered Bonds has not been registered pursuant to Italian securities legislation and, accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, save as set out below, it has not offered or sold, and will not offer or sell, any Covered Bonds in the Republic of Italy in an offer to the public and that sales of the Covered Bonds in the Republic of Italy shall be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulation.

Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver any Covered Bonds or distribute copies of this Base Prospectus and any other document relating to the Covered Bonds in the Republic of Italy except:

- (a) to "qualified investors", as referred to in Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended ("**Decree No. 58**") and defined in Article 34-ter, paragraph 1, let. b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended ("**Regulation No. 11971**") or
- (b) that it may offer, sell or deliver Covered Bonds or distribute copies of any prospectus relating to such Covered Bonds in an offer to the public in the period commencing on the date of publication of such prospectus, provided that such prospectus has been approved in another Relevant Member State and notified to CONSOB, all in accordance with the Prospectus Directive, and the Directive 2010/73/EU of 24 November 2010 (the "**Amending Directive**"), as implemented in the Republic of Italy under Decree 58 and Regulation No. 11971, and ending on the date which is 12 months after the date of approval of such prospectus; or
- (c) in any other circumstances where an express exemption from compliance with the offer restrictions applies, as provided under Decree No. 58 or Regulation No. 11971.

Any such offer, sale or delivery of the Covered Bonds or distribution of copies of this Base Prospectus or any other document relating to the Covered Bonds in the Republic of Italy must be:

- (a) made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 385 of 1 September 1993 as amended, Decree No. 58, CONSOB Regulation No. 16190 of 29 October 2007, as amended (the "**Banking Act**") and any other applicable laws and regulations;
- (b) in compliance with Article 129 of the Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy; and
- (c) in compliance with any other applicable notification requirement or limitation which may be imposed by CONSOB or the Bank of Italy.

Provisions relating to the secondary market in the Republic of Italy

Investors should also note that, in any subsequent distribution of the Covered Bonds in the Republic of Italy, Article 100-bis of Decree No. 58 may require compliance with the law relating to public offers of securities. Furthermore, where the Covered Bonds are placed solely with "qualified investors" and are then systematically resold on the secondary market at any time in the 12 months following such placing, purchasers of Covered Bonds who are acting outside of the course of their business or profession may in certain circumstances be entitled to declare such purchase void and, in addition, to claim damages from any authorised person at whose premises the Covered Bonds were purchased, unless an exemption provided for under Decree No. 58 applies.

Latvia

The Covered Bonds have not been registered under the Financial Instruments Market Law of Latvia and may not be publicly offered or sold in Latvia unless in compliance with all applicable provisions of the laws of the Republic of Latvia. Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Covered Bonds in Latvia other than in accordance with the laws of the Republic of Latvia.

Lithuania

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Covered Bonds have not been offered and will not be offered in Lithuania by way of a public offering, unless in compliance with all applicable provisions of the laws of Lithuania and in particular in compliance with the Law on Securities of the Republic of Lithuania of 18 January 2007 No X-1023 and any regulation or rule made thereunder, as supplemented and amended from time to time.

Luxembourg

The Covered Bonds may not be offered or sold to the public within the territory of the Grand Duchy of Luxembourg unless:

- (a) a prospectus has been duly approved by the *Commission de Surveillance du Secteur Financier* (the "**CSSF**") pursuant to part II of the Luxembourg law dated 10 July 2005 on prospectuses for securities, as amended (the "**Luxembourg Prospectus Law**"), implementing Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading, as amended through Directive 2010/73/EU of the European Parliament and of the Council of 24 November 2010 (the "**Prospectus Directive**"), if Luxembourg is the home Member State as defined under the Luxembourg Prospectus Law; or
- (b) if Luxembourg is not the home Member State, the CSSF has been provided by the Central Bank with a certificate of approval attesting that a prospectus in relation to the Covered Bonds has been drawn up in accordance with the Prospectus Directive and with a copy of the said prospectus; or
- (c) the offer of Covered Bonds benefits from an exemption from, or constitutes a transaction not subject to, the requirement to publish a prospectus pursuant to the Luxembourg Prospectus Law and implementing the Prospectus Directive, as amended.

The Netherlands

For selling restrictions in respect of The Netherlands, see "*Public Offer Selling Restriction Under the Prospectus Directive*" below and in addition:

- (a) *Specific Dutch selling restriction for exempt offers*: Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that it will not make an offer of Covered Bonds which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms or Pricing Supplement in relation thereto to the public in The Netherlands and in reliance on Article 3(2) of the Prospectus Directive, unless:
 - (i) such offer is made exclusively to persons or legal entities which are qualified investors (as defined in the Dutch Financial Supervision Act (*Wet op het financieel toezicht*, the "**FSA**") and which includes authorised discretionary asset managers acting for the account of retail investors under a discretionary investment management contract) in The Netherlands; or
 - (ii) standard exemption logo and wording are incorporated in the Final Terms or Pricing Supplement as required by Article 5:20(5) of the FSA; or
 - (iii) such offer is otherwise made in circumstances in which Article 5:20(5) of the FSA is not applicable,

provided that no such offer of Covered Bonds shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expressions (i) an "**offer of Covered Bonds to the public**" in relation to any Covered Bonds in The Netherlands and (ii) "**Prospectus Directive**" have the meaning given to them below in the paragraph headed "Public Offer Selling Restriction Under the Prospectus Directive".

- (b) *Compliance with Dutch Savings Certificates Act:* Zero Coupon Covered Bonds (as defined below) in definitive form of the Issuer may only be transferred and accepted, directly or indirectly, within, from or into The Netherlands through the mediation of either the Issuer or a member firm of Euronext Amsterdam N.V. admitted on one or more systems held or operated by Euronext Amsterdam N.V. in full compliance with the Dutch Savings Certificates Act (*Wet inzake spaarbewijzen*) of 21 May 1985 (as amended) and its implementing regulations. No such mediation is required: (a) in respect of the transfer and acceptance of rights representing an interest in a Zero Coupon Covered Bond in global form, or (b) in respect of the initial issue of Zero Coupon Covered Bonds in definitive form to the first holders thereof, or (c) in respect of the transfer and acceptance of Zero Coupon Covered Bonds in definitive form between individuals not acting in the conduct of a business or profession, or (d) in respect of the transfer and acceptance of such Zero Coupon Covered Bonds within, from or into The Netherlands if all Zero Coupon Covered Bonds (either in definitive form or as rights representing an interest in a Zero Coupon Covered Bond in global form) of any particular Series are issued outside The Netherlands and are not distributed into The Netherlands in the course of initial distribution or immediately thereafter. As used herein "**Zero Coupon Covered Bonds**" are Covered Bonds that are in bearer form and that constitute a claim for a fixed sum against the Issuer and on which interest does not become due during their tenor or on which no interest is due whatsoever."

New Zealand

No action has been taken to permit the Covered Bonds to be offered or sold to any retail investor, or otherwise under any regulated offer, in terms of the Financial Markets Conduct Act 2013 of New Zealand ("**FMCA**"). In particular, no product disclosure statement under the FMCA has been or will be prepared or lodged in New Zealand in relation to the Covered Bonds.

Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made any offer or sold and agrees it will not, directly or indirectly, make any offer, sell or deliver any Covered Bonds, Receipts, Coupons and Talons in New Zealand in circumstances that would require disclosure to investors under Part 3 of the FMCA.

Each Dealer has agreed that it will not offer or sell any Covered Bonds in New Zealand, or distribute or publish in New Zealand any offering material, information memorandum (including this Base Prospectus), any Final Terms or Pricing Supplement or advertisement in relation to any offer of Covered Bonds, Receipts, Coupons or Talons other than to "wholesale investors" as that term is defined in clauses 3(2)(a), (c) and (d) of Schedule 1 to the FMCA, being a person who is:

- (a) an "investment business";
- (b) "large"; or
- (c) a "government agency",

in each case as defined in Schedule 1 to the FMCA.

For the avoidance of doubt, Covered Bonds, Receipts, Coupons and Talons may not be offered or transferred to any "eligible investor" (as defined in clause 41 of Schedule 1 to the FMCA) or to any person who, under clause 3(2)(b) of Schedule 1 to the FMCA, meets the investment activity criteria specified in clause 38 of that Schedule.

In addition, no person may distribute any offering material or advertisement (as defined in the FMCA) in relation to any offer of Covered Bonds, Receipts, Coupons or Talons in New Zealand other than to such persons as referred to in paragraphs (a) to (c) above.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold, and will not offer or sell, any Covered Bonds, Receipts, Coupons and Talons to persons whom it reasonably believes to be persons to whom any amounts payable on the Covered Bonds, Receipts, Coupons and Talons are or would be subject to New Zealand resident withholding tax, unless such persons:

- (a) certify that they hold a valid RWT exemption certificate for New Zealand resident withholding tax purposes; and

- (b) provide a New Zealand tax file number to such Dealer (in which event the Dealer shall provide details thereof to the Issuer, the Registrar, the Fiscal Agent and each Paying Agent pursuant to the Fiscal Agency Agreement).

Norway

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will comply with all laws, regulations and guidelines applicable to the offering of Covered Bonds in Norway.

Portugal

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Covered Bonds may not be and will not be offered to the public in Portugal or under circumstances which are deemed to be a public offer under the Portuguese Securities Code (*Código dos Valores Mobiliários*) enacted by Decree-Law no. 486/99 of 13 November 1999, as amended and restated from time to time, unless the requirements and provisions applicable to the public offerings in Portugal are met and registration, filing, approval or recognition procedure with the Portuguese Securities Exchange Market (*Comissão do Mercado de Valores Mobiliários*, the "CMVM") is made. In particular, the offer of new securities might be made through a private placement (*oferta particular*), in accordance with the relevant provisions of the Portuguese Securities Code, exclusively to qualified investors (*investidores qualificados*) within the meaning of Article 30 of the Portuguese Securities Code, and/or to 149 or fewer non-qualified investors.

In addition, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that - other than in compliance with all applicable provisions of the Portuguese Securities Code, the Prospectus Regulation implementing the Prospectus Directive (Commission Regulation (EC) 809/2004, as amended) and any applicable CMVM Regulations and all relevant Portuguese securities laws and regulations, in any such case that may be applicable to it in respect of any offer or sale of Covered Bonds by it in Portugal or to individuals or entities resident in Portugal or having permanent establishment located in Portuguese territory, as the case may be, including compliance with the rules and regulations that require the publication of a prospectus, when applicable - (i) no action has been or will be taken as to directly or indirectly offer, advertise, market, invite to subscribe, gather investment intentions, sell, re-sell, re-offer or deliver any Covered Bonds in circumstances which could qualify as a public offer (*oferta pública*) of securities pursuant to the Portuguese Securities Code, notably in circumstances which could qualify as a public offer addressed to individuals or entities resident in Portugal or having permanent establishment located in Portuguese territory, as the case may be, (ii) no action has been or will be taken as to distribute, make available or cause to be distributed the Base Prospectus or any other offering material relating to the Covered Bonds to the public in Portugal, and (iii) that any such distribution or placement of the Covered Bonds shall only be authorised and performed to the extent that there is full compliance with such laws and regulations.

Spain

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has only made and will only make an offer of Covered Bonds to the public (*oferta pública*) in Spain in the period beginning on the date of notification of the approval of this Base Prospectus in relation to the Covered Bonds by the Central Bank of Ireland to the *Comisión Nacional del Mercado de Valores* (CNMV) in Spain, in accordance with the Recast Text of the Securities Market Act Law (*Texto Refundido de la Ley, del Mercado de Valores*) approved by Royal Decree Legislative 4/2015, of 23 October, ("TRLMV"), Royal Decree 1310/2005, of 4 November, developing partially the Spanish Securities Market Law as regards admission to listing on official secondary markets, public offers and the prospectus required thereto and the regulations made thereunder, and ending at the latest on the date which is 12 months after the date of the approval of the Base Prospectus..

The Covered Bonds may not be offered or sold in Spain other than by institutions authorised under the TRLMV and Royal Decree 217/2008, of 15 February, on the legal regime applicable to investment services companies, to provide investment services in Spain, and in compliance with the provisions of the TRLMV and any other applicable legislation.

Sweden

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that no Covered Bonds will be offered to the public in Sweden nor admitted to trading on a regulated market in Sweden unless and until (A) a prospectus in relation to those Covered Bonds has been approved by the competent authority in Sweden or, where appropriate, approved in another Relevant Member State and such competent authority has notified the competent authority in Sweden, all in accordance with the Prospectus Directive and

the Swedish Financial Instruments Trading Act; or (B) an exemption from the requirement to prepare a prospectus is available under the Swedish Financial Instruments Trading Act.

Public Offer Selling Restriction Under the Prospectus Directive

In relation to each Relevant Member State, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Covered Bonds which are the subject of the offering contemplated by the Base Prospectus as completed by the Final Terms or Pricing Supplement in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Covered Bonds to the public in that Relevant Member State:

- (a) **Qualified investors:** at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) **Fewer than 150 offerees:** at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) **Other exempt offers:** at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Covered Bonds referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Covered Bonds to the public**" in relation to any Covered Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Covered Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended), and includes any relevant implementing measure in the Relevant Member State.

Selling Restrictions Addressing Additional United Kingdom Securities Laws

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) **No deposit-taking:** in relation to any Covered Bonds having a maturity of less than one year:
 - (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and
 - (ii) it has not offered or sold and will not offer or sell any Covered Bonds other than to persons:
 - (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
 - (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,where the issue of the Covered Bonds would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;
- (b) **Financial promotion:** it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Covered Bonds in circumstances in which section 21(1) of the FSMA does not, or would not, apply to the Issuer; and
- (c) **General compliance:** it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Covered Bonds in, from or otherwise involving the United Kingdom.

The United States of America

The Covered Bonds have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Covered Bonds in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code of 1986 and regulations thereunder.

Each Dealer has agreed that, except as permitted by the Dealership Agreement, it has not offered, sold or delivered, and will not offer, sell or deliver Covered Bonds (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Covered Bonds comprising the relevant Tranche as certified to the Fiscal Agent or the Issuer by such Dealer (or, in the case of a sale of a Tranche of Covered Bonds to or through more than one Dealer, by each of such Dealers as to the Covered Bonds of such Tranche purchased by or through it, in which case the Fiscal Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified) within the United States or to, or for the account or benefit of, U.S. persons, and such Dealer will have sent to each dealer to which it sells Covered Bonds during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Covered Bonds within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering of Covered Bonds comprising any Tranche, any offer or sale of Covered Bonds within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Canada

The Covered Bonds have not been, and will not be, qualified for sale under the securities laws of Canada or any province or territory thereof. Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold, distributed, or delivered, and that it will not offer, sell, distribute, or deliver, any Covered Bonds, directly or indirectly, in Canada or to, or for the benefit of, any resident thereof in contravention of the securities laws of Canada or any province or territory thereof and also without the consent of the Issuer. Each Dealer has also agreed, and each further Dealer appointed under the Programme may be required to agree, not to distribute or deliver this Base Prospectus, or any other offering materials relating to the Covered Bonds, in Canada in contravention of the securities laws of Canada or any province or territory thereof and also without the consent of the Issuer. If the applicable Final Terms, Pricing Supplement or any other offering materials relating to the Covered Bonds provide that the Covered Bonds may be offered, sold or distributed in Canada, the issue of the Covered Bonds will be subject to such additional selling restrictions as the Issuer and the relevant Dealer(s) may agree, as specified in the applicable Final Terms, Pricing Supplement or other offering materials relating to such Covered Bonds. Each Dealer, and each further Dealer appointed under the Programme, will be required to agree that it will offer, sell and distribute such Covered Bonds only in compliance with such additional Canadian selling restrictions.

Japan

The Covered Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, (the "**FIEA**"). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Covered Bonds in Japan or to, or for the benefit of, a resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, FIEA and other relevant laws and regulations of Japan.

Hong Kong

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Covered Bonds other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong ("**SFO**") and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous

Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Covered Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Covered Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under that Ordinance.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Base Prospectus has not been and will not be registered as a prospectus with the Monetary Authority of Singapore (the "MAS"). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Covered Bonds or caused any Covered Bonds to be made the subject of an invitation for subscription or purchase nor will it offer or sell Covered Bonds or cause any Covered Bonds to be made the subject of an invitation for subscription or purchase, nor has it circulated or distributed nor will it circulate or distribute this Base Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of any Covered Bonds, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor (as defined in Section 4A of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA")) pursuant to Section 274 of the SFA, (b) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Covered Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Covered Bonds pursuant to an offer made under Section 275 of the SFA except:

- (a) to an institutional investor or to a relevant person as defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (b) where no consideration is or will be given for the transfer;
- (c) where the transfer is by operation of law;
- (d) as specified in Section 276(7) of the SFA; or
- (e) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

General

Each Dealer has acknowledged that:

- (a) with the exception of the approval by the Central Bank of this Base Prospectus as a base prospectus issued in compliance with the Prospectus Directive and other than with respect to the admission of the Covered Bonds to listing, trading and/or quotation by the relevant listing authorities, stock exchanges and/or quotation systems, no action has been or will be taken in any country or jurisdiction by the Issuer or the Dealers that would permit a public offering of Covered Bonds, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Base Prospectus or any Final Terms or Pricing Supplement comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase,

offer, sell or deliver Covered Bonds or have in their possession, publish or distribute such offering material, in all cases at their own expense;

- (b) the Dealership Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph headed "*General*" above; and
- (c) selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such additional selling restrictions in respect of a jurisdiction not set out herein will be set out in the relevant subscription agreement or dealer accession letter (in the case of an additional selling restriction in respect of a jurisdiction not set out herein relevant only to a particular Tranche of Covered Bonds) or (in case of a supplement, modification or in any other case) in a supplement to this document.

GENERAL INFORMATION

1. The establishment of the Programme was authorised by a duly convened meeting of the Board of Directors of the Issuer held on 1 October 2016.
2. Since 1 October 2016, being the date of its incorporation, there has been no material adverse change in the prospects of the Issuer, nor has there has been any significant change in the financial or trading position of the Issuer.
3. PwC Oy is the auditor of the Issuer. PwC Oy is a member of the Finnish Institute of Authorised Public Accountants and is an independent auditor in accordance with laws, regulations and auditing standards and practices generally accepted in Finland. The auditors of the Issuer have no material interest in the Issuer.
4. For the 12 months following the date of this Base Prospectus, physical copies and, where appropriate, English translations of the following documents may be inspected during normal business hours at the specified office of the Fiscal Agent in London and the registered office of the Issuer:
 - (a) the certificate of Registration and Articles of Association of the Issuer;
 - (b) the Fiscal Agency Agreement (as amended from time to time) (which contains the forms of the Covered Bonds);
 - (c) the Deed of Covenant (as supplemented from time to time);
 - (d) the Dealership Agreement (as amended from time to time);
 - (e) the most recent audited financial statements of the Issuer from time to time, including the audit reports relating thereto and any published unaudited interim financial statements;
 - (f) this Base Prospectus, together with any supplements thereto;
 - (g) the Final Terms or Pricing Supplement for issues listed on any stock exchange and issued pursuant to this Base Prospectus; and
 - (h) the Issuer-ICSDs Agreement.

Translations into English of any document listed above which is not in the English language are accurate and direct translations of the relevant document. In the event of any discrepancy between the English language version and the original language version of any such document, the original language version shall prevail.

5. The Covered Bonds have been accepted for clearance through Euroclear and Clearstream, Luxembourg, or, in the case of Finnish Covered Bonds, Euroclear Finland. The appropriate common code and the International Securities Identification Number in relation to the Covered Bonds of each Tranche will be specified in the relevant Final Terms or Pricing Supplement. The relevant Final Terms or Pricing Supplement shall specify any other clearing system as shall have accepted the relevant Covered Bonds for clearance together with any further appropriate information. The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.
6. The address of Euroclear Finland Ltd is Euroclear Finland Ltd PB 1110, 00101 Helsinki, Finland.
7. It is expected that each Series of Covered Bonds which is to be admitted to listing on the Official List of the Irish Stock Exchange and to trading on the Main Securities Market will be admitted separately as and when issued, subject only to the issue of a Temporary Global Covered Bond initially representing the Covered Bonds of such Series or, as the case may be, the relevant Registered Covered Bonds and the approval of the Programme in respect of such Covered Bond (s) will be granted on or about 1 November 2016.
8. Settlement arrangements will be agreed between the Issuer, the relevant Dealer and the Fiscal Agent or, as the case may be, the Registrar in relation to each Series.
9. The price and amount of Covered Bonds to be issued under the Programme will be determined by the Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.

10. Where Covered Bonds have a maturity of less than one year and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Covered Bonds is carried on from an establishment maintained by the Issuer in the United Kingdom, such Covered Bonds must: (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of the FSMA by the Issuer.
11. Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for the Issuer and its affiliates in the ordinary course of business. Certain of the Dealers and their affiliates may have positions, deal or make markets in the Covered Bonds issued under the Programme, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and its affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or the Issuer's affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Covered Bonds issued under the Programme. Any such positions could adversely affect future trading prices of Covered Bonds issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

12. Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in relation to the Covered Bonds and is not itself seeking admission of the Covered Bonds to listing on the Official List of the Irish Stock Exchange and to trading on the Main Securities Market for the purposes of the Prospectus Directive.

ANNEX 1 – OPENING BALANCE SHEET OF THE ISSUER 1 OCTOBER 2016



Nordea Mortgage Bank Plc
Opening Balance Sheet
1 October 2016

Balance sheet

Euros	Note	Audited opening balance sheet 1 October 2016	Unaudited adjusted opening balance sheet 1 October 2016 ²
Assets			
Cash and balances with central banks ¹		211 126 186,25	211 126 186,25
Loans to credit institutions	2	179 745 292,42	379 745 292,42
Loans to the public	2	24 450 181 270,13	24 450 181 270,13
Derivatives	3	1 037 183 824,99	1 037 183 824,99
Accrued income	4	16 262 624,13	16 262 624,13
Total assets		25 894 499 197,92	26 094 499 197,92
Liabilities			
Deposits by credit institutions	5	8 700 000 000,00	8 700 000 000,00
Debt securities in issue	6	15 283 690 253,58	15 283 690 253,58
Derivatives	3	21 155 444,62	21 155 444,62
Fair value changes of the hedged items in portfolio hedge of interest rate risk		785 628 977,64	785 628 977,64
Accrued expenses and prepaid income	7	52 209 495,72	52 209 495,72
Subordinated liabilities			200 000 000,00
Total liabilities		24 842 684 171,56	25 042 684 171,56
Equity			
Share capital		250 000 000,00	250 000 000,00
Other reserves		801 815 026,36	801 815 026,36
Total equity		1 051 815 026,36	1 051 815 026,36
Total liabilities and equity		25 894 499 197,92	26 094 499 197,92
Assets pledged as security for own liabilities	8	22 746 065 935,77	22 746 065 935,77
Credit commitments	9	6 528 882,38	6 528 882,38

Other notes

Note 1 Accounting policies

Note 10 Classification of financial instruments

¹ As it was not possible to open an account in the central bank, interest bearing securities having the same nature as deposits from central banks have been transferred in the demerger.

² The unaudited adjusted opening balance sheet 1 October shows the balance sheet after Nordea Bank Finland Plc has provided a subordinated loan to Nordea Mortgage Bank Plc. Nordea Mortgage Bank Plc issued a subordinated loan to Nordea Bank Finland Plc. The loan is subordinated to other liabilities. The nominal value and carrying amount of the subordinated loan is EUR 200 million, maturity date 1 October 2026, call date 1 October 2021 and interest rate 3-month EURIBOR + margin 1.42% per annum.

Statement of changes in equity

Attributable to the shareholders of Nordea Mortgage Bank Plc

Euros	Other reserves			Total equity
	Share capital	Cash flow hedges	Other reserves	
Balance at 1 October 2016	250 000 000,00	1 815 026,36	800 000 000,00	1 051 815 026,36

Notes to the balance sheet

Note 1 Accounting policies

1. Basis for presentation

Nordea Mortgage Bank Plc ("**NMB**", business identity code 2743219-6) was established 1 October 2016 via a demerger from Nordea Bank Finland Plc (business identity code 1680235-8). In connection with the demerger all the assets, liabilities and reserves relating to the covered bond funding business of Nordea Bank Finland Plc were transferred to Nordea Mortgage Bank Plc. All the transferred assets, liabilities and reserves are presented in the opening balance of Nordea Mortgage Bank Plc using the accounting and valuation principles of Nordea Bank Finland Plc.

This special-purpose Nordea Mortgage Bank Plc opening balance sheet and summary of significant accounting policies and other explanatory notes (together "**Opening balance sheet**") as at 1 October 2016 are prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU. However they are not a complete set of financial statements as defined in IAS 1.10 as the Opening balance sheet omits the statement of comprehensive income, the statement of changes in equity and the statement of the cash flows as well as comparative information. No carve-out financial information has been prepared for the covered bond funding business of Nordea Bank Finland Plc for the historical periods prior to the date of the Opening balance sheet as defined in Commission Regulation (EC) no 211/2007.

Also, certain complementary rules in the Finnish Accounting Act, the Finnish Credit Institutions Act, the Financial Supervision Authority's Regulations and Guidelines and the Decision of the Ministry of Finance on the financial statements and consolidated statements of credit institutions have also been applied. The Opening balance sheet was authorized for issue by Nordea Mortgage Bank Plc on 21 October 2016.

The Opening balance sheet has been prepared for the purpose of presenting the opening balance information in the Covered Bond Programme prospectus in October 2016.

2. Critical judgements and estimation uncertainty

The preparation of financial statements in accordance with generally accepted accounting principles requires, in some cases, the use of judgements and estimates by management. Actual outcome can later, to some extent, differ from the estimates and the assumptions made. In this section a description is made of:

- the sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year, and
- the judgements made when applying accounting policies (apart from those involving estimations) that have the most significant effect on the amounts recognised in the financial statements.

Critical judgements and estimates are in particular associated with:

- the fair value measurement of certain financial instruments;
- the impairment testing of loans to the public/credit institutions;
- the effectiveness testing of cash flow hedges
- the translations of assets and liabilities denominated in foreign currencies; and
- the valuation of deferred tax assets.

Fair value measurement of certain financial instruments

Critical judgements that have a significant impact on the recognised amounts for financial instruments are exercised when determining fair value of OTC derivatives and other financial instruments that lack quoted prices or recently observed market prices. Those judgements relate to the following areas:

- the choice of valuation techniques;
- the determination of when quoted prices fail to represent fair value (including the judgement of whether markets are active);
- the construction of fair value adjustments in order to incorporate relevant risk factors such as credit risk, model risk and liquidity risk; and
- the judgement of which market parameters that are observable.

When determining fair value of financial instruments that lack quoted prices or recently observed market prices there is also a high degree of estimation uncertainty. That estimation uncertainty is mainly a result of the judgement management exercises when:

- selecting an appropriate discount rate for the instrument; and
- determining expected timing of future cash flows from the instruments.

In all of these instances, decisions are based upon professional judgement in accordance with NMB's accounting and valuation policies. In order to ensure proper governance, the Valuation Committee in Nordea Bank AB (publ) reviews on an on-going basis critical judgements that are deemed to have a significant impact on fair value measurements.

Impairment testing of loans to the public/credit institutions

Management is required to exercise critical judgements and estimates when calculating loan impairment allowances on both individually assessed and collectively assessed loans.

The most judgemental area is the calculation of collective impairment allowances. When testing a group of loans collectively for impairment, judgement has to be exercised when identifying the events and/or the observable data that indicate that losses have been incurred in the group of loans. NMB monitors its portfolio through rating migrations and a loss event is an event resulting in a negative rating migration. Assessing the net present value of the cash flows generated by the customers in the group of loans also includes estimation uncertainty. This includes the use of historical data on probability of default and loss given default supplemented by acquired experience when adjusting the assumptions based on historical data to reflect the current situation.

See also the separate section 10 "Loans to the public/credit institutions".

Effectiveness testing of cash flow hedges

One important judgement in connection with cash flow hedge accounting is the choice of method used for effectiveness testing. Where NMB applies cash flow hedge accounting, the hedging instruments used are predominantly cross currency interest rate swaps, which are always held at fair value. The currency component is designated as a cash flow hedge of currency risk and the interest component as a fair value hedge of interest rate risk. The hypothetical derivative method is used when measuring the effectiveness of these cash flow hedges, meaning that the change in a perfect hypothetical swap is used as proxy for the present value of the cumulative change in expected future cash flows on the hedged transaction (the currency component). Critical judgement has to be exercised when defining the characteristics of the perfect hypothetical swap.

NMB's accounting policies for cash flow hedges are described in section 6 "Hedge accounting".

Translation of assets and liabilities denominated in foreign currencies

NMB's accounting policies covering the translation of assets and liabilities denominated in foreign currencies

is described in section 5 "Translation of assets and liabilities denominated in foreign currencies".

3. Recognition of operating income and impairment

Net interest income

Interest income and expense are calculated and recognised based on the effective interest rate method or, if considered appropriate, based on a method that results in an interest income or interest expense that is a reasonable approximation of using the effective interest rate method as basis for the calculation. The effective interest includes fees considered to be an integral part of the effective interest rate of a financial instrument (generally fees received as compensation for risk). The effective interest rate equals the rate that discounts the contractual future cash flows to the carrying amount of the financial asset or financial liability.

Interest income and expenses from financial instruments are, with the exceptions described below, classified as "Net interest income".

The interest component in FX swaps, and the interest paid and received in interest rate swaps plus changes in accrued interest, is classified as "Net result from items at fair value", apart from derivatives used for hedging, including economical hedges of NMB's funding, where such components are classified as "Net interest income".

Net fee and commission income

NMB's earns commission income from different services provided to its customers. Commission income and commission expenses are normally transaction based and recognised in the period when the services are received.

Net result from items at fair value

Realised and unrealised gains and losses on financial instruments measured at fair value through profit or loss are recognised in the item "Net result from items at fair value".

Realised and unrealised gains and losses derive from:

- interest-bearing securities and other interest-related instruments;
- foreign exchange gains/losses; and
- other financial instruments.

The ineffective portion of cash flow hedges is recognised in "Net result from items at fair value".

This item also includes realised gains and losses from financial instruments measured at amortised cost, such as interest compensation received and realised gains/losses on buy-backs of issued own debt.

"Net result from items at fair value" also includes losses from counterparty risk on instruments classified into the category Financial assets at fair value through profit or loss. Impairment losses from instruments within other categories are recognised in the item "Net loan losses" .

Net loan losses

Impairment losses from financial assets classified into the category Loans and receivables (see section 9 "Financial instruments"), in the items "Loans to central banks", "Loans to credit institutions" and "Loans to the public" on the balance sheet, are reported as "Net loan losses". Losses are reported net of any collateral and other credit enhancements. NMB's accounting policies for the calculation of impairment losses on loans can be found in section 10 "Loans to the public/credit institutions".

Counterparty losses on instruments classified into the category Financial assets at fair value through profit or loss, are reported under "Net result from items at fair value".

4. Recognition and derecognition of financial instruments on the balance sheet

Derivative instruments, quoted securities, debt securities in issue and foreign exchange spot transactions are recognised on and derecognised (reclassified to the items "Other assets" or "Other liabilities" on the balance sheet between trade date and settlement date) on the trade date. Other financial instruments are recognised on the balance sheet on settlement date.

Financial assets, other than those for which trade date accounting is applied, are derecognised from the balance sheet when the contractual rights to the cash flows from the financial asset expire or are transferred to another party. The rights to the cash flows normally expire or are transferred when the counterpart has performed by e.g. repaying a loan to NMB, i.e. on settlement date.

In some cases, NMB enters into transactions where it transfers assets that are recognised on the balance sheet, but retains either all or a portion of risks and rewards from the transferred assets. If all or substantially all risks and rewards are retained, the transferred assets are not derecognised from the balance sheet. If NMB's counterpart can sell or repledge the transferred assets, the assets are reclassified to the item "Financial instruments pledged as collateral" on the balance sheet. Transfers of assets with retention of all or substantially all risks and rewards include e.g. securities lending agreements and repurchase agreements.

Financial liabilities are derecognised from the balance sheet when the liability is extinguished. Normally this

occurs when NMB performs, for example when NMB repays a deposit to the counterpart, i.e. on settlement date. Financial liabilities under trade date accounting are generally reclassified to "Other liabilities" on the balance sheet on trade date.

5. Translation of assets and liabilities denominated in foreign currencies

The functional and reporting currency of NMB is euro (EUR). Foreign currency is defined as any currency other than the functional currency of the entity. Foreign currency transactions are recorded at the exchange rate on the date of the transaction. Monetary assets and liabilities including foreign exchange trades, currently denominated cash balances and derivatives are translated at the exchange rate on the balance sheet date.

Exchange differences arising on the settlement of transactions at rates different from those at the date of the transaction, and unrealised translation differences on unsettled foreign currency monetary assets and liabilities, are recognised in the income statement in the item "Net result from items at fair value".

6. Hedge accounting

NMB applies the EU carve out version of IAS 39 for portfolio hedges of both assets and liabilities. The EU carve out macro hedging enables a group of derivatives (or proportions thereof) to be viewed in combination and be designated as the hedging instrument. It also removes some of the limitations in fair value hedge accounting relating to hedging core deposits and under-hedging strategies.

NMB uses hedge accounting in order to have a symmetrical accounting treatment of the changes in fair value of the hedged item and changes in fair value of the hedging instruments as well as to hedge the exposure to variability in future cash flows and the exposure to net investments in foreign operations.

There are three forms of hedge accounting:

- fair value hedge accounting;
- cash flow hedge accounting; and
- hedges of net investments.

NMB currently applies fair value hedge accounting and cash flow hedge accounting.

Fair value hedge accounting

Fair value hedge accounting is used when derivatives are hedging changes in fair value of a recognised asset or liability attributable to a specific risk. The risk of changes in fair value of assets and liabilities in NMB's financial statements originates mainly from loans, securities and deposits with a fixed interest rate, causing interest rate risk. Changes in fair value from

derivatives as well as changes in fair value of the hedged item attributable to the risks being hedged are recognised separately in the income statement in the item "Net result from items at fair value". Given an effective hedge, the two changes in fair value will more or less balance, meaning the net result is close to zero. The changes in fair value of the hedged item attributable to the risks hedged with the derivative instrument are reflected in an adjustment to the carrying amount of the hedged item, which is also recognised in the income statement. The fair value change of the hedged items held at amortised cost in a portfolio hedge of interest rate risks is reported separately from the portfolio in the item "Fair value changes of the hedged items in portfolio hedge of interest rate risk" on the opening balance sheet.

Fair value hedge accounting in NMB is performed mainly on a portfolio basis. Any ineffectiveness is recognised in the income statement under the item "Net result from items at fair value".

Hedged items

A hedged item in a fair value hedge can be a recognised single asset or liability, an unrecognised firm commitment, or a portion thereof. The hedged item can also be a group of assets, liabilities or firm commitments with similar risk characteristics. Hedged items in NMB consist of both individual assets or liabilities and portfolios of assets and/or liabilities.

Hedging instruments

The hedging instruments used in NMB are predominantly interest rate swaps and cross currency interest rate swaps, which are always held at fair value. Cash instruments are only used as hedging instruments when hedging currency risk.

Cash flow hedge accounting

Cash flow hedge accounting can be used for the hedging of exposure to variations in future interest payments on instruments with variable interest rates and for the hedging of currency exposures. The portion of the gain or loss on the hedging instrument, that is determined to be an effective hedge, is recognised in other comprehensive income and accumulated in the cash flow hedge reserve in equity. The ineffective portion of the gain or loss on the hedging instrument is recycled to the item "Net result from items at fair value" in the income statement.

Gains or losses on hedging instruments recognised in the cash flow hedge reserve in equity through other comprehensive income are recycled and recognised in the income statement in the same period as the hedged item affects profit or loss, normally in the period that interest income or interest expense is recognised.

Hedged items

A hedged item in a cash flow hedge can be highly probable floating interest rate cash flows from

recognised assets or liabilities or from future assets or liabilities. NMB uses cash flow hedges when hedging currency risk in future payments of interest and principal in foreign currency.

Hedging instruments

The hedging instruments used in NMB are predominantly cross currency interest rate swaps, which are always held at fair value, where the currency component is designated as a cash flow hedge of currency risk and the interest component as a fair value hedge of interest rate risk.

Hedge effectiveness

The application of hedge accounting requires the hedge to be highly effective. A hedge is regarded as highly effective if at inception and throughout its life it can be expected that changes in fair value of the hedged item as regards the hedged risk can be essentially offset by changes in fair value of the hedging instrument. The result should be within a range of 80–125 per cent. When assessing hedge effectiveness retrospectively, NMB measures the fair value of the hedging instruments and compares the change in fair value of the hedging instrument to the change in fair value of the hedged item. The effectiveness measurement is made on a cumulative basis. The hypothetical derivative method is used when measuring the effectiveness of cash flow hedges, meaning that the change in a perfect hypothetical swap is used as proxy for the present value of the cumulative change in expected future cash flows from the hedged transaction (the currency component).

If the hedge relationship does not fulfil the requirements, hedge accounting is terminated. For fair value hedges the hedging instrument is reclassified to a trading derivative and the change in the fair value of the hedged item, up to the point when the hedge relationship is terminated, is amortised to the income statement on a straight-line basis over the remaining maturity of the hedged item.

In cash flow hedges, changes in the unrealised value of the hedging instrument will prospectively from the last time it was proven effective be accounted for in the income statement. The cumulative gain or loss on the hedging instrument that has been recognised in the cash flow hedge reserve in equity, through other comprehensive income from the period when the hedge was effective, is reclassified from equity to "Net result from items at fair value" in the income statement if the expected transaction is no longer expected to occur. If the expected transaction is no longer highly probable, but is still expected to occur, the cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive income from the period when the hedge was effective remains in other comprehensive income until the transaction occurs or is no longer expected to occur.

7. Determination of fair value of financial instruments

Financial assets and liabilities classified into the categories Financial assets/liabilities at fair value through profit or loss (including derivative instruments) are recorded at fair value on the balance sheet with changes in fair value recognised in the income statement in the item "Net result from items at fair value".

Fair value is defined as the price that at the measurement date would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants under current market conditions in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability.

The existence of published price quotations in an active market is the best evidence of fair value and when they exist they are used to measure financial assets and financial liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an on-going basis. The absolute level for liquidity and volume required for a market to be considered active vary with the instrument classes. For some classes low price volatility is seen, also for those instruments within the class where the trade frequency is high. For instruments in such a class, the liquidity requirements are lower and, correspondingly, the age limit for the prices used for establishing fair value is higher.

Whether markets are active or non-active is assessed regularly. The trade frequency and volume are monitored daily.

NMB is predominantly using published price quotations to establish fair value for items disclosed under the balance sheet item Interest-bearing securities.

If quoted prices for a financial instrument fail to represent actual and regularly occurring market transactions or if quoted prices are not available, fair value is established by using an appropriate valuation technique. The adequacy of the valuation technique, including an assessment of whether to use quoted prices or theoretical prices, is monitored on a regular basis.

Valuation models are designed to apply observable market prices and rates as input whenever possible, but can also make use of unobservable model parameters. NMB is predominantly using valuation techniques to establish the fair value for interest-bearing securities (when quoted prices in an active market are not available) and derivatives (OTC-derivatives).

For financial instruments, where fair value is estimated by a valuation technique, it is investigated whether the

variables used in the valuation model are predominantly based on data from observable markets. By data from observable markets, NMB considers data that can be collected from generally available external sources and where this data is judged to represent realistic market prices. If non-observable data has a significant impact on the valuation, the instrument cannot be recognised initially at the fair value estimated by the valuation technique and any upfront gains are thereby deferred and amortised through the income statement over the contractual life of the instrument. The deferred upfront gains are subsequently released to income if the non-observable data becomes observable.

The valuation models applied by NMB are consistent with accepted economic methodologies for pricing financial instruments and incorporate the factors that market participants consider when setting a price.

New valuation models are subject to approval by a Model Risk Management Committee and all models are reviewed on a regular basis.

8. Cash and balances with central banks

Cash comprises legal tender and bank notes in foreign currencies. Balances with central banks consist of deposits in accounts with central banks and postal giro systems under government authority, where the following conditions are fulfilled:

- the central bank is domiciled in the country where the institution is established; and
- the balance is readily available at any time.

9. Financial instruments

Classification of financial instruments

Financial assets are classified into the category Loans and receivables or into the category Financial assets at fair value through profit and loss. Financial liabilities are classified into the category Other financial liabilities. NMB also holds derivative instruments for hedge accounting.

All financial assets and liabilities are initially measured at fair value. The classification of financial instruments into different categories forms the basis for how each instrument is subsequently measured on the balance sheet and how changes in its value are recognised.

Loans and receivables

Loans and receivables are non-derivative financial assets, with fixed or determinable payments, that are not quoted in an active market. These assets and their impairment are further described in the separate section 10 "Loans to the public/credit institutions".

Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities at fair value through profit or loss are measured at fair value, excluding transaction costs. All changes in fair values are recognised directly in the income statement in the item "Net result from items at fair value".

The category consists of two sub-categories; Held for trading and Designated at fair value through profit or loss (fair value option).

The sub-category Held for trading mainly contains derivative instruments that are held for trading purposes and interest-bearing securities.

Other financial liabilities

Other financial liabilities are measured at amortised cost. Interest on Other financial liabilities is recognised in the item "Interest expense" in the income statement.

Derivatives

All derivatives are recognised on the balance sheet and measured at fair value. Derivatives with total positive fair values, including any accrued interest, are recognised as assets in the item "Derivatives" on the asset side. Derivatives with total negative fair values, including any accrued interest, are recognised as liabilities in the item "Derivatives" on the liability side.

Realised and unrealised gains and losses from derivatives are recognised in the income statement in the item "Net result from items at fair value".

Offsetting of financial assets and liabilities

NMB offsets financial assets and liabilities on the balance sheet if there is a legal right to offset, in the ordinary course of business and in case of bankruptcy, and if the intent is to settle the items net or realise the asset and settle the liability simultaneously.

Exchange traded derivatives are generally accounted for as settled on a daily basis when cash is paid or received and the instrument is reset to market terms.

Issued debt and equity instruments

A financial instrument issued by NMB is either classified as a financial liability or equity. Issued financial instruments are classified as a financial liability if the contractual arrangement results in NMB having a present obligation to either deliver cash or another financial asset, or a variable number of equity instruments to the holder of the instrument. If this is not the case, the instrument is generally an equity instrument and classified as equity, net of transaction costs. Where issued financial instruments contain both liability and equity components, these are accounted for separately.

Loans to the public/credit institutions

Financial instruments classified as "Loans to the public/credit institutions" (including loans to central

banks) on the balance sheet and into the category Loans and receivables are measured at amortised cost (see also the separate section 5 "Recognition and derecognition of financial instruments on the balance sheet").

NMB monitors loans on a continuous basis. Loans attached to individual customers or groups of customers are identified as impaired if the impairment tests indicate an objective evidence of impairment.

Impairment test of individually assessed loans

NMB tests all loans for impairment on an individual basis. The purpose of the impairment tests is to find out if the loans have become impaired. As a first step in the identification process for impaired loans, NMB monitors whether there are indicators of impairment (loss event) and whether these loss events represent objective evidence of impairment.

Loans that are not individually impaired will be transferred to a group of loans with similar risk characteristics for a collective impairment test.

Impairment test of collectively assessed loans

Loans not impaired on an individual basis are collectively tested for impairment. These loans are grouped on the basis of similar credit risk characteristics that are indicative of the debtors' ability to pay all amounts due according to the contractual terms. NMB monitors its portfolio through rating migrations, the credit decision and annual review process supplemented by quarterly risk reviews. Through these processes NMB identifies loss events indicating incurred losses in a group. A loss event is an event resulting in a deterioration of the expected future cash flows. Only loss events incurred up to the reporting date are included when performing the assessment of the group.

The objective for the group assessment process is to evaluate if there is a need to make a provision due to the fact that a loss event has occurred, which has not yet been identified on an individual basis. This period between the date when the loss event occurred and the date when it is identified on an individual basis is called "Emergence period". The impairment remains related to the group of loans until the losses have been identified on an individual basis. The identification of the loss is made through a default of the engagement or by other indicators.

For corporate customers and bank counterparts, NMB uses the existing rating system as a basis when assessing the credit risk. NMB uses historical data on probability of default to estimate the risk for a default in a rating class. These loans are rated and grouped mostly based on type of industry and/or sensitivity to certain macro parameters, e.g. dependency to oil prices etc.

Personal customers and small corporate customers are monitored through scoring models. These are based mostly on historical data, as default rates and loss rates given a default, and experienced judgement performed by management.

Impairment loss

If the carrying amount of the loans is higher than the sum of the net present value of estimated cash flows (discounted with the original effective interest rate), including the fair value of the collaterals and other credit enhancements, the difference is the impairment loss.

For significant loans that have been individually identified as impaired the measurement of the impairment loss is made on an individual basis.

For insignificant loans that have been individually identified as impaired and for loans not identified as impaired on an individual basis the measurement of the impairment loss is measured using a portfolio based expectation of the future cash flows.

If the impairment loss is not regarded as final, the impairment loss is accounted for on an allowance account representing the accumulated impairment losses. Changes in the credit risk and accumulated impairment losses are accounted for as changes in the allowance account and as "Net loan losses" in the income statement (see also section 3 "Recognition of operating income and impairment").

If the impairment loss is regarded as final, it is reported as a realised loss and the value of the loan and the related allowance for impairment loss are derecognised. An impairment loss is regarded as final when the obligor is filed for bankruptcy and the administrator has declared the economic outcome of the bankruptcy procedure, or when NMB forgives its claims either through a legal based or voluntary reconstruction or when NMB, for other reasons, deems it unlikely that the claim will be recovered.

Discount rate

The discount rate used to measure impairment is the original effective interest rate for loans attached to an individual customer or, if applicable, to a group of loans. If considered appropriate, the discount rate can be based on a method that results in an impairment that is a reasonable approximation of using the effective interest rate method as basis for the calculation.

Restructured loans

In this context a restructured loan is defined as a loan where NMB has granted concessions to the obligor due to its deteriorated financial situation and where this concession has resulted in an impairment loss for NMB. After a reconstruction the loan is normally regarded as not impaired if it performs according to the

new conditions. Concessions made in reconstructions are regarded as loan losses unless NMB retains the possibility to regain the loan losses incurred. In the event of a recovery the payment is reported as a recovery of loan losses.

10. Taxes

The item "Income tax expense" in the income statement comprises current and deferred income tax. The income tax expense is recognised in the income statement, except to the extent the tax effect relates to items recognised in other comprehensive income or directly in equity, in which case the tax effect is recognised in other comprehensive income or in equity respectively.

Current tax is the tax expense on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognised, using the balance sheet method, for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are recognised for the carry forward of unused tax losses and unused tax credits. Deferred tax is not recognised for temporary differences arising on initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, nor for differences relating to investments in group undertakings and associated undertakings to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, tax losses carry forward and unused tax credits can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Current tax assets and current tax liabilities are offset when the legal right to offset exists and NMB intends to either settle the tax asset and the tax liability net or to recover the asset and settle the liability simultaneously. Deferred tax assets and deferred tax liabilities are offset if there is a legally enforceable right to offset current tax assets and current tax liabilities.

11. Employee benefits

All forms of consideration given by NMB to its employees as compensation for services performed are employee benefits. Short-term benefits are to be settled within twelve months after the reporting period when the services have been performed. Post-employment benefits are benefits payable after the termination of the employment. Post-employment benefits in NMB consist only of pensions. Termination benefits normally arise if an employment is terminated before the normal retirement date, or if an employee accepts an offer of voluntary redundancy.

Short-term benefits

Short term benefits consist mainly of fixed and variable salary. Both fixed and variable salaries are expensed in the period when the employees have performed services to NMB. NMB has also issued a share-based payment programmes, which is further described in section 15 "Share-based payment".

Post-employment benefits

Pension plans

NMB has defined contribution pension plans only. NMB's defined contribution arrangements hold no pension liability for NMB.

Pension costs

Obligations for defined contribution pension plans are recognised as an expense as the employee renders services to the entity and the contribution payable in exchange for that service becomes due.

13. Equity

Other reserves

Other reserves comprise income and expenses, net after tax effects, which are reported in equity through other comprehensive income. These reserves include fair value reserves for cash flow hedges as well as a reserve for translation differences.

Retained earnings

Retained earnings comprise undistributed profits from previous years.

14. Credit commitments

The contractual amount of irrevocable credit commitments is recognised off-balance sheet in the item "Credit commitments".

15. Share-based payment

Cash-settled programmes

NMB has to defer payment of variable salaries under Nordic FSA's regulations and general guidelines, as is also the case with the Executive Incentive Programme (EIP). The deferred amounts are to some extent indexed using Nordea's TSR (Total Shareholders' Return) and these "programmes" are cash-settled share-

based programmes. These programmes are fully vested when the payments of variable salaries are initially deferred and the fair value of the obligation is remeasured on a continuous basis. The remeasurements are, together with the related social charges, recognised in the income statement in the item "Net result from items at fair value".

Related party transactions

NMB defines related parties as:

- shareholder with significant influence;
- group undertakings;
- key management personnel; and
- other related parties.

All transactions with related parties are made on an arm's length basis, apart from loans granted to employees.

Shareholder with significant influence

Shareholder with significant influence is the sole shareholder of NMB that has the power to participate in the financial and operating decisions of NMB but do not control those policies. Nordea Bank AB (publ) is considered having such a power.

Nordea Group undertakings

Nordea Group undertakings means the subsidiaries of the parent company Nordea Bank AB (publ) (Corp. reg. no. 516406-0120).

Group internal transactions between legal entities are performed according to arm's length principles in conformity with OECD requirements on transfer pricing. These transactions are eliminated in the consolidated accounts.

Key management personnel

Key management personnel include the following positions:

- the Board of Directors of Nordea Mortgage Bank Plc;
- the Chief Executive Officer (CEO) of Nordea Mortgage Bank Plc and the deputy to the CEO; and
- the Management Group of Nordea Mortgage Bank Plc.

Other related parties

Other related parties comprise close family members to individuals in key management personnel. Other related parties also include companies controlled by key management personnel in NMB as well as companies controlled by close family members to these key management personnel.

Risk, Liquidity and Capital management

Management principles and control

Nordea Mortgage Bank Plc is fully integrated into the Nordea Group's risk and capital management, where appropriate, and for this reason it is described herein how this area is dealt with at Nordea Group.

Group Board of Directors and Board Risk Committee

The Group Board has the ultimate responsibility for limiting and monitoring the Group's risk exposure as well as for setting the targets for the capital ratios. Risk is measured and reported according to common principles and policies approved by the Group Board, which also decides on policies for credit risk, counterparty credit risk, market risk, liquidity risk and business risk, life insurance risk, operational risk and compliance risk as well as the Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP). All policies are reviewed at least annually.

The Group Board approves the credit instructions in which the powers-to-act for all major credit committees in the organisation are included. These authorisations vary for different decision-making levels, mainly in terms of size of limits, and are also dependent on the internal risk categorization of customers. The Group Board also decides on the limits for market and liquidity risk in the Group.

The Board Risk Committee assists the Group Board in fulfilling its oversight responsibilities concerning management and control of the risks, risk framework as well as controls and processes associated with the Group's operations.

Responsibility of CEO and GEM

The Chief Executive Officer (CEO) has the overall responsibility for developing and maintaining effective risk, liquidity and capital management principles and control of the Bank and the Group.

The CEO in Group Executive Management (GEM) decides on the Group's earnings volatility measurement framework(s) and targets for these, such as the Structural Interest Income Risk (SIIR).

The CEO and GEM regularly review reports on risk exposure and have established a number of committees for risk, liquidity and capital management.

The Asset and Liability Committee (ALCO), chaired by the Group Chief Operating Officer (COO), prepares issues of major importance concerning the Group's financial operations and balance sheet risks either for decision by the CEO in GEM or for recommendation by the CEO in GEM and for decision by the Group Board.

- The Risk Committee, chaired by the Chief Risk Officer (CRO), oversees the management and control of the Group's risks on an aggregate level and evaluates the sufficiency of the risk frameworks, controls and processes associated with these risks. Further, within the scope of resolutions adopted by the Board of Directors, the Risk Committee decides on the allocation of the market risk limits and liquidity risk limits to the risk-taking units. The limits are set in accordance with the business strategies and are reviewed at least annually. The heads of the units allocate the respective limits within the unit and may introduce more detailed limits and other risk mitigating techniques such as stop-loss rules. The Risk Committee has established subcommittees for its work and decision-making within specific risk areas. Minutes of the meetings in sub-committees are distributed to the members of the Risk Committee.
- The Group Executive Management Credit Committee (GEM CC) is chaired by the CEO and the Executive Credit Committee (ECC) is chaired by the CRO while the Group Credit Committee Retail Banking (GCCR) and the Group Credit Committee Wholesale Banking (GCCW) are chaired by the Chief Credit Officer (CCO). These credit committees decide on major credit risk customer limits. Credit risk limits are granted as individual limits for customers or consolidated customer groups and as industry limits for certain defined industries.

Governance of Risk Management

Group Risk Management and Group Compliance is the second line of defence. The flow of risk related information from the business areas and the group functions to the Board of Directors passes through Risk Committee and Board Risk Committee (BRIC). Group Compliance reports to the Board of Directors through Board Audit Committee (BAC).

Group Risk Management is organised in divisions covering all risk types except compliance risk. The divisions are: Group Credit Risk, Group Credit & Financial Reporting Control, Group Market and Counterparty Credit Risk, Group Operational Risk, Recovery and Resolution Planning and Group Strategic Risk Management and Analysis. The flow of information starts with the divisions that monitor and analyse information on the respective risk type. The risks are presented and discussed in the Risk Committee and sub committees. Information on risk is then brought to BRIC where risk issues are being discussed and prepared before presented to Board of Directors.

Group Compliance is organised in divisions covering all compliance risk types, with compliance divisions allocated to each Business Area. The purpose of Group Compliance is to add value to the Nordea Group and its stakeholders by providing an independent view on compliance to rules and regulations applicable to the Nordea Group, and by contributing to an effective and efficient compliance risk management.

Risk appetite

Risk appetite within the Nordea Group is defined as the level and nature of risk that the bank is willing to take in order to pursue the articulated strategy on behalf of shareholders, and is defined by constraints reflecting the views of shareholders, debt holders, regulators and other stakeholders.

The Board of Directors of Nordea Bank AB (publ) is ultimately responsible for the overall risk appetite of the Group and for setting the principles for how risk appetite is managed. The Board Risk Committee assists the Board of Directors in fulfilling these responsibilities by reviewing the development of the risk profile in relation to the risk appetite and by making recommendations regarding changes to the Group's risk appetite.

Nordea's risk appetite framework is based on explicit top-down risk appetite statements ensuring comprehensive coverage of key risks faced by the Group. These statements collectively define the boundaries for Nordea's risk-taking activities and will also help identify areas with scope for additional risk taking. The statements are approved by the Board of Directors, and set the basis for a new risk reporting structure. Moreover, the framework supports management decision processes, such as planning and target setting.

The risk appetite framework considers key risks relevant to Nordea's business activities and on an aggregate level is represented in terms of credit risk, market risk, operational risk, solvency, compliance/ non-negotiable risks and liquidity risk.

The risk appetite framework is further presented in the Capital and Risk Management Report (Pillar III report).

Monitoring and reporting

The control environment is based on the principles for segregation of duties and independence. Monitoring and reporting of risk are conducted on a daily basis for market and liquidity risk and on a monthly and quarterly basis for credit and operational risk.

Risk reporting including reporting the development of REA (Risk Exposure Amount) is regularly made to the GEM and the Board of Directors. Group Internal Audit (GIA) makes an independent evaluation of the processes regarding the risk and capital management in accordance with the annual audit plan.

Risk management

Credit Risk management

Group Risk Management is responsible for the credit process framework and credit risk management framework, consisting of policies, instructions and guidelines for the Group. Group Risk Management is also responsible for controlling and monitoring the quality of the credit portfolio and the credit process. Each division/unit is primarily responsible for managing the credit risks in its operations within the applicable framework and limits, including identification, control and reporting.

Within the powers to act granted by the Board of Directors, credit risk limits are approved by decision-making authorities on different levels in the organisation. The risk categorization of the customer and the exposure decide the level at which the decision will be made. Responsibility for a credit exposure lies with the relevant customer responsible unit. Customers are risk categorized by a rating or score in accordance with Nordea Group's rating and scoring guidelines.

Credit risk definition and identification

Credit risk is defined as the risk of loss if counterparts fail to fulfil their agreed obligations and the pledged collateral does not cover the existing claims. Credit risk stems mainly from various forms of lending, but also from guarantees and documentary credits, counterparty credit risk in derivative contracts, transfer risk attributable to the transfer of money from another country and settlement risk. For monitoring the distribution of a portfolio, improving the risk management and defining a common strategy towards specific industries there are specific industry credit

principles and policies in place establishing requirements and caps.

Credit risk mitigation

Credit risk mitigation is an inherent part of the credit decision process. In every credit decision and review, the valuation of collaterals is considered as well as the adequacy of covenants and other risk mitigations. Pledging of collateral is the main credit risk mitigation technique. In corporate exposures, the main collateral types are real estate mortgages, floating charges and leasing objects. Collateral coverage is higher for exposures to financially weaker customers than for those who are financially strong. Regarding large exposures, syndication of loans is the primary tool for managing concentration risk, while credit risk mitigation by the use of credit default swaps is applied to a limited extent. Covenants in credit agreements are an important complement to both secured and unsecured exposures. Most exposures of substantial size and complexity include appropriate covenants. Financial covenants are designed to react to early warning signs and are carefully monitored.

Individual and collective assessment of impairment

Throughout the process of identifying and mitigating credit impairments, Nordea continuously reviews the quality of the credit exposures. Weak and impaired exposures are closely and continuously monitored and reviewed at least on a quarterly basis in terms of current performance, business outlook, future debt service capacity and the possible need for provisions.

A provision is recognised if there is objective evidence based on loss events and observable data that the customer's future cash flow is weakened to the extent that full repayment is unlikely, pledged collateral included. Exposures with provisions are considered as impaired. The size of the provision is equal to the estimated loss being the difference between the book value of the outstanding exposure and the discounted value of the future cash flow, including the value of pledged collateral. Impaired exposures can be either performing or non-performing. Exposures that have been past due more than 90 days are by definition regarded as defaulted and non-performing, and reported as impaired or not impaired depending on the deemed loss potential.

Forbearance is negotiated terms or restructuring due to borrowers' financial stress. The intention with granting forbearance for a limited period of time is to ensure full repayment of the outstanding debt. Examples of negotiated terms are changes in amortization profile, repayment schedule, customer

margin as well as ease of financial covenants. Forbearance is undertaken on a selective and individual basis and followed by impairment testing. Loan loss provisions are recognized if necessary. Forborne rated customers without impairment charges are fully covered by either collateral and/or the net present value of future cash flows.

In addition to individual impairment testing of all individually significant customers, collective impairment testing is performed for groups of customers that have not been found to be impaired on individual level. The purpose of collective loan loss reserves is to account for value reductions in the performing credit portfolio due to loss events that have occurred. Nordea's model for collective provisions uses a statistical model as a base-line for assessing the amount of provisions needed for the parts of Nordea's portfolios that are not individually assessed. The collective provisioning model is based on migration of rated and scored customers in the credit portfolio. The assessment of collective impairment is built on an incurred loss concept, where the credit quality of each exposure is related to its initial credit quality. If the credit quality has deteriorated, collective provisions corresponding to a true and fair assessment of the expected loss is calculated by the model. Moreover, defaulted customers without individual provisions are also collectively assessed. The output of the model is complemented with an expert based analysis process to ensure adequate provisioning. The model is executed quarterly and the output is a result of a bottom-up calculation from sub-exposure level, taking the latest portfolio development into account. Collective impairment is assessed quarterly for each legal unit. The rationale for this two-step procedure with both individual and collective assessment is to ensure that all incurred losses are accounted for up to and including each balance sheet day.

Counterparty credit risk

Counterparty credit risk is the risk that Nordea's counterpart in a FX, interest, commodity, equity or credit derivative contract defaults prior to maturity of the contract and that Nordea at that time has a claim on the counterpart. Counterparty credit risk can also exist in repurchasing agreements and other securities financing transactions.

Market risk

Market risk is defined as the risk of loss in Nordea's holdings and transactions as a result of changes in market rates and parameters that affect the market value, such as changes to interest rates, credit spreads, FX rates, equity prices, commodity prices and option volatilities.

Nordea Markets, Group Treasury & Asset & Liability Management (ALM) are the key contributors to market risk in the Nordea Group. Nordea Markets is responsible for the customer driven trading activities, Group Treasury & ALM is responsible for funding activities and investments for Nordea's own account, asset and liability management, liquidity portfolios and pledge/collateral account portfolios. For all other banking activities market risks are transferred to Group Treasury & ALM.

Measurement of market risk

Nordea calculates VaR using historical simulation. The current portfolio is revaluated using the daily changes in market prices and parameters observed during the last 500 trading days, thus generating a distribution of 499 returns based on empirical data. From this distribution, the expected shortfall method is used to calculate a VaR figure, meaning that the VaR figure is based on the average of the worst outcomes from the distribution. The 1-day VaR figure is subsequently scaled to a 10-day figure. The 10-day VaR figure is used to limit and measure market risk both in the trading book and in the banking book.

Separate VaR figures are calculated for interest rate, credit spread, foreign exchange rate and equity risks. The total VaR includes all these risk categories and allows for diversification among them. The VaR figures include both linear positions and options. The model has been calibrated to generate a 99% VaR figure. This means that the 10-day VaR figure can be interpreted as a loss that will be exceeded in one of a hundred 10-day trading periods.

It is important to note that while every effort is made to make the VaR model as realistic as possible, all VaR models are based on assumptions and approximations that have a significant effect on the risk figures produced. While historical simulation has the advantage of not being dependent on a specific assumption regarding the distribution of returns, it should be noted that the historical observations of the market variables that are used as input may not give an adequate description of the behaviour of these variables in the future. The choice of the time period used is also important. While using a longer time period may enhance the model's predictive properties and lead to reduced cyclicalities, using a shorter time period increases the model's responsiveness to sudden changes in the volatility of financial markets. Nordea's choice to use the last 500 days of historical data has thus been made with the aim to strike a balance between the pros and cons of using longer or shorter time series in the calculation of VaR.

Structural Interest Income Risk

SIIR is the amount by which Nordea's accumulated net interest income would change during the next 12 months if all interest rates were to change by one percentage point.

SIIR reflects the mismatches in the balance sheet items and the off-balance sheet items when the interest rate repricing periods, volumes or reference rates of assets, liabilities and derivatives do not correspond exactly.

Nordea Group's SIIR management is based on policy statements resulting in different SIIR measures, and organisational procedures.

Policy statements focus on optimising the financial structure, balanced risk taking and reliable earnings growth, identification of all significant sources of SIIR, measurement under stressful market conditions and adequate public information.

Group Treasury & ALM has the responsibility for the operational management of SIIR.

SIIR measurement methods

Nordea's SIIR is measured through dynamic simulations by calculating several net interest income scenarios and comparing the difference between these scenarios. Several interest rate scenarios are applied, but the basic measures for SIIR are the two scenarios (increasing rates and decreasing rates, where reference rates are floored at zero) measuring the effect on Nordea's net interest income for a 12-month period of a one percentage point increase, respectively decrease, in all interest rates. The balance sheet is assumed to be constant over time, however main elements of customer behaviour and Nordea's decision-making process concerning Nordea's own rates are taken into account.

Operational risk

Operational risk is defined as the risk of direct or indirect loss, or damaged reputation, resulting from inadequate or failed internal processes, from people and systems, or from external events. Operational risk includes legal risk and is inherent in all activities within the organisation, in outsourced activities and in all interactions with external parties.

Managing operational risk is part of the management's responsibilities. The operational risks are monitored through regular risk assessment procedures and a systematic, quality and risk focused management of changes. Development of new products, services, activities as well as processes and systems shall be risk assessed. Identified risk elements and consequences of risk

events are mitigated with, inter alia, up to date Business Continuity Plans as well as Group Crisis Management and Communication plans ensuring a good contingency preparedness in all business plans and crisis management structures. External risk transfer is used in the form of insurance, including reinsurance, to cover certain aspects of crime risk and professional liability, including the liability of directors and officers. Nordea furthermore uses insurance for travel, property and general liability purposes.

The key principle for the management of Operational risks is the three lines of defence. The first line of defence is represented by the Business Areas and Group Functions who are responsible for their own daily risk management and for operating their business within limits for risk exposure and in accordance with decided framework for internal control and risk management at the first line of defence. The control function Group Operational Risk, in Group Risk Management is in the second line of defence and is responsible for activities such as independently monitoring, controlling and reporting on issues related to key risks. Group Internal Audit performs audits and provides assurance to stakeholders on internal controls and risk management processes in the third line of defence.

The key process for management of operational risks is the annual Operational Risk Assessment process. The process includes the risk and control self-assessment (RCSA) and the scenario analysis, and puts focus on both the risks on a divisional and unit level threatening its daily activities and the risks which could cause extreme financial losses or other significant impacts to Nordea as well as ensuring fulfilment of requirements specified in Group directives. The risks are identified both through top-down and through bottom-up analysis of results obtained from control questions as well as existing information from processes, such as incident reporting, scenario analysis, quality and risk analyses as well as product approvals. The timing of this process is synchronised with the annual planning process to be able to ensure adequate input to the Group's overall prioritisations.

Compliance risk

Nordea defines compliance risk as the risk to fail to comply with laws, regulations, rules and prescribed practises and ethical standards, governing Nordea's activities in any jurisdiction, which could result in material financial or reputational loss to the Group, regulatory remarks or sanctions.

The key principle for the management of Compliance risk is the three lines of defence. The

first line of defence represented by the Business Areas and Group Functions are risk owners, and are responsible for their own daily risk management and control of compliance risks. Management on all levels are responsible for operating their business within defined limits for risk exposure and in accordance with decided directives, instructions and risk management processes, and for implementing and executing Group level and Business Area level instructions and guidelines.

Group Compliance is the second line of defence risk control function in the Group, coordinating, facilitating and overseeing the effectiveness and integrity of the Group's compliance risk management. Group Compliance provides an independent view on compliance to relevant rules and regulations, to a large degree based on carried out monitoring activities. Furthermore, Group Compliance also advises and supports the first line on ways to effectively and efficiently handle compliance obligations. Group Internal Audit performs audits and provides assurance to stakeholders on internal controls and risk management processes in the third line of defence.

To specifically address the deficiencies in this area Nordea has established a Financial Crime Change Programme, which is a holistic approach to develop a group-wide and sustainable standard for the prevention of financial crime.

However, broader change activities aimed to strengthen the general compliance framework in Nordea has accelerated significantly. Initiatives are targeted both towards strengthening the regulatory implementation capability in the first line as well as strengthening Group Compliance to ensure the second line role is carried out in accordance with regulatory and internal requirements.

Liquidity risk management

Management principles and control

Group Treasury & ALM is responsible for pursuing Nordea's liquidity strategy, managing the liquidity in Nordea and for compliance with the group-wide limits set by the Board of Directors and the Risk Committee. Furthermore, Group Treasury & ALM, together with Group Market and Counterparty Credit Risk, develops the liquidity management and risk frameworks, which consist of policies, instructions and guidelines for the Group as well as the principles for pricing liquidity risk.

The Board of Directors defines the liquidity risk appetite by setting limits for applied liquidity risk measures. The most central measure is survival horizon, which defines the risk appetite by setting the minimum survival of one month under

institution-specific and market-wide stress scenarios with limited mitigation actions.

Liquidity risk management

Liquidity risk is the risk of being able to meet liquidity commitments only at increased cost or, ultimately, being unable to meet obligations as they fall due. Nordea's liquidity management and strategy are based on policy statements resulting in various liquidity risk measures, limits and organisational procedures.

Policy statements stipulate that Nordea's liquidity management reflects a conservative attitude towards liquidity risk. Nordea strives to diversify the Group's sources of funding and seeks to establish and maintain relationships with investors in order to ensure market access. A broad and diversified funding structure is reflected by the strong presence in the Group's four domestic markets in the form of a strong and stable retail customer base and a variety of funding programmes. Funding programmes are both short-term (US Commercial Papers, European Commercial Papers, Commercial Papers, Certificates of Deposits) and long-term (Covered Bonds, European Medium Term Notes, Medium Term Notes) and cover a range of currencies.

Nordea's liquidity risk management includes stress testing and a business continuity plan for liquidity management. Stress testing is defined as the evaluation of potential effects on a bank's liquidity situation under a set of exceptional but plausible events. Stress testing framework also includes the survival horizon metric, which represents a combined liquidity risk scenario (idiosyncratic and market-wide stress).

Liquidity risk measurement methods

The liquidity risk management focuses on both short-term liquidity risk and long-term structural liquidity risk. In order to manage short-term funding positions, Nordea measures the funding gap risk, which expresses the expected maximum accumulated need for raising liquidity in the course of the next 30 days. Cash flows from both on balance sheet and off-balance sheet items are included. Funding gap risk is measured and limited for each currency and as a total figure for all currencies combined. The total figure for all currencies combined is limited by the Board of Directors.

To ensure funding in situations where Nordea is in urgent need of cash and the normal funding sources do not suffice, Nordea holds a liquidity buffer. The buffer minimum level is set by the Board of Directors. The liquidity buffer consists of central bank eligible high-grade liquid securities held by

Group Treasury & ALM that can be readily sold or used as collateral in funding operations.

During 2011, the survival horizon metric was introduced. It is conceptually similar to the Basel and EU Liquidity Coverage Ratio. The metric is composed of a liquidity buffer and funding gap risk cash flows, and includes expected behavioural cash flows from contingent liquidity drivers. Survival horizon defines the short-term liquidity risk appetite of the Group and expresses the excess liquidity after a 30-day period without access to market funding. The Board of Directors has set a limit for minimum survival without access to market funding during 30 days.

The structural liquidity risk of Nordea is measured and limited by the Board of Directors through the Net Balance of Stable Funding (NBSF), which is defined as the difference between stable liabilities and stable assets. These liabilities primarily comprise retail deposits, bank deposits and bonds with a remaining term to maturity of more than 12 months as well as shareholders' equity, while stable assets primarily comprise retail loans, other loans with a remaining term to maturity longer than 12 months and committed facilities. The CEO in GEM has set it as a target that the NBSF should be positive, which means that stable assets must be funded by stable liabilities.

Capital management

Nordea strives to be efficient in its use of capital and therefore actively manages its balance sheet with respect to assets, liabilities and risks. The goal is to enhance returns to shareholders while maintaining a prudent capital structure.

Capital governance

The Board of Directors decides ultimately on the targets for capital ratios and the capital policy in Nordea, while the CEO in GEM decides on the overall framework of capital management. The ability to meet targets and to maintain minimum capital requirements is reviewed regularly within the Asset and Liability Committee (ALCO) and the Risk Committee.

Minimum capital requirements

Risk exposure amount (REA) is calculated in accordance with the requirements in the CRD. Nordea uses the advanced IRB approach for corporate exposures in the Nordic region and the retail IRB approach for the majority of the retail exposures in Finland.

For operational risk NMB applies the standardised approach.

Internal capital requirement

Nordea bases its internal capital requirements under the Internal Capital Adequacy Assessment Process (ICAAP) on risks defined by the CRD and risks internally defined under Pillar II. The following major risk types are included in the internal capital requirement: credit risk, market risk and operational risk. Additionally, interest rate risk in the banking book, risk in Nordea's sponsored defined benefit pension plans, real estate risk and concentration risk are explicitly accounted for.

In addition to calculating risk capital for its various risk types, Nordea conducts a comprehensive capital adequacy stress test to analyse the effects of a series of global and local shock scenarios. The results of the stress tests are considered, along with potential management interventions, in Nordea's internal capital requirements as buffers for economic stress. The internal capital requirement is a key component of Nordea's capital ratio target setting.

The ICAAP also describes Nordea's management, mitigation and measurement of material risks and assesses the adequacy of internal capital by defining internal capital requirements reflecting the risk of the institution. Regulatory buffers were introduced with the implementation of CRD IV.

Economic Capital (EC)

Nordea's Economic Capital model is based on the same risk components as the ICAAP but also includes risks in the insurance businesses. EC is calculated for the conglomerate whereas the ICAAP, which is governed by the CRD, covers only the financial group. EC is aligned to CET1 capitalisation requirements in accordance to CRD IV. Additional capital items were introduced in the EC during 2014 to reduce the gap between legal equity and allocated capital.

Economic Profit (EP)

Nordea uses EP as one of its financial performance indicators. EP is calculated as risk-adjusted profit less the cost of equity. The risk-adjusted profit and EP are measures to support performance management and shareholder value creation. In investment decisions and customer relationships, EP drives and supports the operational decision-making process in Nordea. The EP model also captures both growth and return. EC and expected losses (EL) are inputs in the EP framework.

Expected losses (EL)

EL reflects the normalised loss level of an individual credit exposure over a business cycle as well as various portfolios. During 2015 there were no changes to the EL framework apart from the regular update of parameters based on the latest validations.

EL is a more stable measure than actual losses, but it will vary with the business cycle as a consequence of shifts in the repayment capacity (PD dimension) and collateral coverage (LGD dimension) distributions.

Own funds

Own funds is the sum of Tier 1 and Tier 2 capital. Tier 1 capital consists of both Common Equity Tier 1 (CET1) and Additional Tier 1 capital. CET1 capital is considered to be capital of the highest quality with ultimate loss-absorbance characteristics and consists predominately of paid in capital and retained earnings. Profit may only be included after permission from the financial supervisory authority and after deduction of proposed dividend.

Additional Tier 1 and Tier 2 capital consist mostly of undated and dated subordinated loans, respectively. Holdings of other financial sector entities' subordinated loans are deducted from the corresponding tier.

Note 2 Loans and impairment

EURm	Central banks and credit institutions	The public	Total
	1 Oct 2016	1 Oct 2016	1 Oct 2016
Loans, not impaired	180	24 462	24 642
Loans before allowances	180	24 462	24 642
Allowances for collectively assessed impaired loans	-	-12	-12
Allowances	-	-12	-12
Loans, carrying amount	180	24 450	24 630

Note 3 Derivatives and hedge accounting

1 October 2016, EURm	Fair value		Total nom. amount
	Positive	Negative	
Derivatives held for trading			
Interest rate derivatives			
Other	109	21	8 739
Total	109	21	8 739
Total derivatives held for trading	109	21	8 739
Derivatives used for hedge accounting			
Interest rate derivatives	884	0	14 965
Foreign exchange derivatives	44	-	147
Total derivatives used for hedge accounting	928	0	15 112
- of which cash flow hedges	2	-	147
- of which fair value hedges	926	0	14 965
Total derivatives	1 037	21	23 851

Note 4 Prepaid expenses and accrued income

EURm	1 Oct 2016
Accrued interest income	16
Total	16

Note 5 Deposits by credit institutions

EURm	1 Oct 2016
Banks	8 700
Total	8 700

Note 6 Debt securities issue

EURm	1 Oct 2016
Covered bonds	15 284
Total	15 284

Note 7 Accrued expenses and prepaid income

EURm	1 Oct 2016
Prepaid income	52
Total	52

Note 8 Assets pledged as security for own liabilities

EURm	1 Oct 2016
Loans to the public	22 746
Total	22 746

The above pledges pertain to the following liabilities

Debt securities in issue	15 284
Total	15 284

Note 9 Commitments

EURm	1 Oct 2016
Loan commitments	7
Total	7

Note 10 Classification of financial instruments

1 October 2016, EURm	Loans and receivables	Held to maturity	Financial assets at fair value through profit or loss		Derivative s used for hedging	Availabl e for sale	Non-financial assets and associates	Total
			Held for trading	Designated at fair value through profit or loss				
Assets								
Cash and balances with central banks	211	-	-	-	-	-	-	211
Loans to credit institutions	180	-	-	-	-	-	-	180
Loans to the public	24 450	-	-	-	-	-	-	24 450
Derivatives	-	-	109	-	928	-	-	1 037
Prepaid expenses and accrued income	16	-	-	-	-	-	-	16
Total	24 857	-	109	-	928	-	-	25 894

1 October 2016, EURm	Financial liabilities at fair value through profit or loss		Derivatives used for hedging	Other financial liabilities	Non- financial liabilities	Total
	Held for trading	Designated at fair value through profit or loss				
Liabilities						
Deposits by credit institutions	-	-	-	8 700	-	8 700
Debt securities in issue	-	-	-	15 284	-	15 284
Derivatives	21	-	0	-	-	21
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	-	-	786	-	786
Accrued expenses and prepaid income	-	-	-	52	-	52
Total	21	-	0	24 822	-	24 843

Signatures of the Board of Directors and Chief Executive Officer

Helsinki, 21 October 2016

Topi Manner

Hanna-Maria Heikkinen

Riikka Laine-Tolonen

Nina Luomanen

Ola Littorin

Jussi Mekkonen

Thomas Miller
Chief Executive Officer



Independent Auditor's Report

To the Board of Directors of Nordea Mortgage Bank Plc

We have audited the opening balance sheet of Nordea Mortgage Bank Plc as at 1 October 2016 and a summary of significant accounting policies and other explanatory information (together the "balance sheet").

Responsibility of the Board of Directors and the Managing Director for the balance sheet

The Board of Directors and the Managing Director are responsible for the preparation of balance sheet that gives a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to express an opinion on the balance sheet based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the balance sheet is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the balance sheet. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the balance sheet that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the balance sheet.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

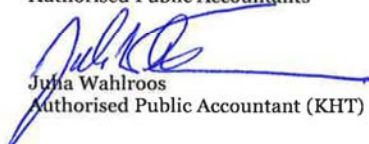
In our opinion, the balance sheet gives a true and fair view of the financial position of Nordea Mortgage Bank Plc as at 1 October 2016 in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Emphasis of Matter

Without modifying our opinion, we draw to user's attention that the balance sheet does not comprise a full set of financial statements prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Helsinki 25 October 2016

PricewaterhouseCoopers Oy
Authorised Public Accountants


Juhana Wahlroos
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GLOSSARY OF CERTAIN DEFINED TERMS

bankruptcy liquidity loan	A loan made by the bankruptcy administrator of the issuer to secure liquidity or take out liquidity credit in accordance with Section 26 of the CBA recorded in the register.
CBA	The Finnish Covered Bond Act (<i>Laki kiinnitysluottopankkitoiminnasta</i> 688/2010), as amended.
commercial property loan	Loans secured by (i) mortgageable property for commercial or office purposes referred to in Chapter 16, Section 1 or Chapter 19, Section 1 of the Finnish Land Code (<i>Maakaari</i> 540/1995), as amended; or (ii) shares of a housing company or a real estate company entitling the holder to occupancy of the commercial or office premises; or (iii) collateral comparable to the aforementioned collateral, situated in another State belonging to the EEA.
cover pool	The mortgage loans, public-sector loans and supplementary collateral entered into the register as statutory security for covered bonds under the CBA.
covered bond	A bond collateralised by a mortgage loan or a public-sector loan entered in the register in accordance with the CBA.
derivative transactions	Derivatives transactions entered into by the issuer to hedge against the risks relating to covered bonds or their underlying collateral and recorded in the register.
eligible assets	Mortgage loans, public-sector loans or supplementary collateral.
FIN-FSA	The Finnish Financial Supervisory Authority (<i>Finanssivalvonta</i>).
housing company shares	Shares in a housing company which is a company incorporated in Finland and referred to in Chapter 1, Section 2 of the Finnish Act on Housing Companies (<i>Asunto-osakeyhtiölaki</i> 1599/2009), as amended.
housing loan	Loans secured by (i) mortgageable property for primarily residential purposes referred to in Chapter 16, Section 1 or Chapter 19, Section 1 of the Finnish Land Code (<i>Maakaari</i> 540/1995), as amended; or (ii) shares in a housing company referred to in Chapter 1, Section 2 of the Act on Housing Companies (<i>Asunto-osakeyhtiölaki</i> 1599/2009), as amended or shares comparable thereto, participations and rights of occupancy; or (iii) collateral comparable to the aforementioned collateral, situated in another State belonging to the EEA.
mortgage loans	Housing loans and commercial property loans.
public-sector loan	Loans which have been granted to the Republic of Finland, a Finnish municipality or other public-sector entity which may, when calculating prudential requirements set out in Regulation (EU) No. 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms and amending Regulation (EU) 648/2012 be considered equivalent to the Finnish State or Finnish municipality or a credit which is fully collateralised by a guarantee granted by a public-sector entity or a claim on such entity.
register	The register of covered bonds which the issuer is required to maintain pursuant to Chapter 5 of the CBA.

supplementary collateral

- (a) Bonds and other debt obligations issued by a central government, a municipality or another public-sector entity or a credit institution (other than one belonging to the same consolidated group as the issuer);
- (b) guarantees granted by a public-sector entity or a credit institution referred to in paragraph (a);
- (c) credit insurance given by an insurance company other than one belonging to the same group, as defined in the Finnish Act on Supervision of Finance and Insurance Groups (*Laki rahoitus- ja vakuutusryhmittymien valvonnasta* 699/2004), as amended, as the issuer; and
- (d) assets of the issuer deposited in the Bank of Finland or a deposit bank; if the issuer is a deposit bank the deposit may not be in a deposit bank belonging to the same consolidated group as the issuer.

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